

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended August 31, 2019 and 2018



LSC-CyFair



LSC-Kingwood



LSC-Montgomery



LSC-North Harris



LSC-Tomball



LSC-University Park



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018

**Prepared by Financial Operations and Facilities
Lone Star College · 5000 Research Forest Drive · The Woodlands, Texas 77381**



**LONE STAR COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

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INTRODUCTORY SECTION



To the LSC Board of Trustees:

I am pleased to submit to the Lone Star College (LSC) Board of Trustees and the citizens of the LSC service area our Comprehensive Annual Financial Report for the most recent fiscal year, September 1, 2018 through August 31, 2019.



Thanks to the fiscally conservative leadership of the Board, and strong internal management, the College continues to maintain a sound financial position, with a AAA credit rating from Standard and Poor's.

Enrollment was relatively flat from Fall 2018 to Fall 2019 to total 87,656 credit students.

Prudent fiscal management, along with a strengthening of the local economy has enabled us to maintain our low tax rate and invest in several strategic initiatives in support of the College's commitment to student success to emphasize student outcomes and accountability for those outcomes.

Highlights for fiscal year 2019 include:

- Tax rate of \$0.1078 per \$100 valuation unchanged
- Base tuition increased \$10 per credit hour for out of district fees and \$30 per credit hour for out of state/international fees
- Discipline-based differential fees increased on average \$1 per credit hour
- Budget aligned with strategic priorities
- Emphasis on academic transfer, workforce and student success initiatives
- 30 new faculty positions
- 2% across the board increase for full time/part time employees (minimum \$750)
- \$2M for additional safety and security at the college's instructional centers

Our fiscal practices support our commitment to providing high quality education to our students at an affordable price without placing an undue burden on our taxpayers. Under the leadership of the LSC Board of Trustees, we look forward to continuing to operate in a fiscally sound manner with a continued focus on student success.

Sincerely,

Stephen C. Head
Chancellor



December 20, 2019

To: Chancellor Steve Head
Members of the Board of Trustees
Taxpayers of Harris, Montgomery and San Jacinto Counties
Citizens of the Lone Star College Community

Respectfully submitted for your review is the comprehensive annual financial report of the Lone Star College (the “College”) for the fiscal years ended August 31, 2019 and August 31, 2018. The purpose of this report is to provide detailed information about the financial condition and performance of the College. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control. The objective of internal control is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. The concept of reasonable assurance ensures that the costs of the controls do not exceed the benefits derived.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Lone Star College’s comprehensive annual financial report (CAFR) for the fiscal years ended August 31, 2019 and 2018 was prepared by the Financial Operations and Facilities Division. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with the Annual Financial Reporting Requirements for Texas Public Community Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The notes to the financial statements are considered an integral part of the financial statements and should be read in conjunction with them. Additionally, attention should be given to Management’s Discussion and Analysis, which provides readers with a narrative introduction, overview and analysis of the financial statements.

REPORTING ENTITY

The College is a special-purpose government engaged solely in business-type activities (BTA). In compliance with GASB Statement Nos. 34 and 35, this reporting model is intended to make government financial statements similar to corporate financial statements. It also serves to make the financial statements more comparable across organizations.

The Lone Star College Foundation (“Foundation”) has been discretely presented in the College’s statements as a component unit by inclusion of the Foundation’s statements in the College’s statements. Because the financial statements of the Foundation are presented in a different format from the College and are incompatible with the College’s financial statements, the Foundation’s financial statements are presented on separate pages from the College’s financial statements. The Foundation is a non-profit organization established in 1991 with its sole purpose being to provide benefits such as scholarships and grants to the College.

COLLEGE PROFILE

Since its humble beginnings in 1973 when an initial college staff of 16 members welcomed 613 students to the first classes held at Aldine High School, Lone Star College has grown to six colleges, multiple centers and two University Centers enrolling 89,413 credit students. LSC is now the largest institution of higher education in the Houston area and is one of the fastest-growing community college systems in the nation. The six Lone Star Colleges are: LSC-CyFair, LSC-Kingwood, LSC-Montgomery, LSC-North Harris, LSC-Tomball and LSC-University Park. Lone Star College serves an area of more than 1,400 square miles in the northwest Houston metro area including a population of 2.1 million and 11 independent school districts: Aldine, Conroe, Cypress-Fairbanks, Humble, Klein, Magnolia, New Caney, Splendora, Spring, Tomball and Willis. Not only great in size, LSC is also a key driver and growing contributor to the local and regional economy with an annual economic impact of nearly \$3 billion.



The College is governed by a nine-member Board of Trustees who are elected to serve six year terms. The Chief Executive Officer of the College is the Chancellor. The Chancellor, through his executive team, is responsible for management of the daily operations of the College.

MISSION

Lone Star College provides comprehensive educational opportunities and programs to enrich lives.

VISION

Lone Star College will be a model college globally recognized for achieving exceptional levels of success in student learning, student completion, gainful employment, equity and affordability.

CORE VALUES

- Excellence
- Learning
- Student Success
- Access and Affordability
- Accountability
- Community
- Diversity
- Human Resources
- Innovation and Creativity
- Integrity

STRATEGIC GOALS

Academic & Workforce Program Quality

Provide high quality academic and workforce programs that enhance students' learning experience and prepare them for the 21st century workforce.

Student Success

Promote student success by ensuring excellence in teaching, learning and student-centered support services.

Financial Responsibility & Accountability

Ensure sound financial practices that are accountable to stakeholders and fairly allocate budget and resources.

Culture

Nurture a culture that values and respects all Lone Star College members and encourages collaboration.

Partnerships

Build strong partnerships with local ISDs and civic, charitable, higher education, industry and business organizations to promote student and community success.



CULTURAL BELIEFS

The six cultural beliefs - originally developed by the LSC 20|20 Task Force - now provide a common language across Lone Star College. The cultural beliefs clarify and focus our actions so we can reach desired results.



One LSC

I develop meaningful relationships and collaborate for mutual success.



Advance Equity

I advance diversity and inclusion to create an equitable environment.



Student Focused

I support and prepare each student to succeed in college and in life.



Cultivate Community

I cultivate a community of trust and integrity through transparent dialogue and purposeful actions.



Own It

I bring my best, rise above challenges, and own my contributions.



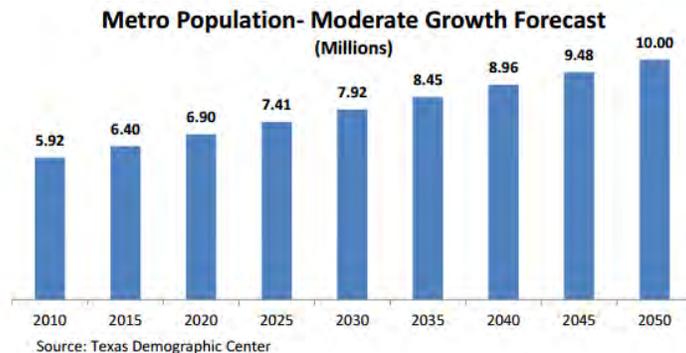
Choose Learning

I learn, grow, and create opportunities for others to do the same.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the local environment in which the College operates.

The College's geographic area is comprised of portions of Harris, Montgomery and San Jacinto Counties. Harris County is a major component of the Houston-The Woodlands-Sugar Land-TX Metropolitan Statistical Area (MSA). With a population of 5.9 million as of the 2010 U.S. Census, the Houston MSA is expected to increase to 10.0 million by 2050.



Twenty-one companies on the 2018 Fortune 500 list are headquartered in the Houston metro area, ranking Houston fourth in the U.S. behind New York, Chicago, and Dallas-Ft. Worth.

Sources: Fortune 500 and the Greater Houston Partnership Research - June 2018

LONG-TERM FINANCIAL PLANNING

The College's financial planning is comprised of four planning processes:

- Strategic Plan
- Facilities Master Plan
- Five-year Financial Plan
- Annual Budget

A five-year master plan was updated in 2013. It is reviewed and updated each year to accommodate the College's facility needs for upcoming fiscal years. The budget is funded primarily through student, state and tax revenues. A methodology was developed to reward colleges for positive impact activities over which they have influence, but not to penalize for activities over which they have no control.

During the annual budget process an allocation methodology model is used that:

- Provides adequate funding for basic needs of the colleges
- Recognizes the importance of a balanced full-time faculty ratio
- Fairly distributes discretionary funds
- Limits administrative spending
- Provides funds to support enrollment increases
- Provides incentive funding for improvements in key indicators

The budget is presented for approval to the Board of Trustees each August.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The College’s Board of Trustees selected the accounting firm Weaver and Tidwell, LLP to perform its annual audit. In addition to meeting the requirements set forth in the state statutes, the audit was designed to meet the requirements of the Federal Single Audit Act and the State of Texas Single Audit Circular. The auditor’s reports related to single audits are included in the Single Audit Section of the comprehensive annual financial report (CAFR).

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College for its CAFR for the fiscal year ended August 31, 2018. The College has earned this recognition each year since 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Credit for this report must be given to the Board of Trustees for its oversight and unfailing support in maintaining the highest standards of integrity, transparency and accountability in the College’s financial operations. We would particularly like to acknowledge the Chancellor and the Chancellor’s executive leadership team for providing the resources necessary to prepare this financial report. The preparation of this report could not have been accomplished without the hard work and dedication of the entire staff of Financial Operations and Facilities.

Respectfully submitted,



Jennifer Mott, CFA
Chief Financial Officer
Lone Star College
832-813-6512/Jennifer.Mott@lonestar.edu





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Lone Star College System
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2018

Christopher P. Morill

Executive Director/CEO



Organization Data

LONE STAR COLLEGE BOARD OF TRUSTEES



Alton Smith, Ed.D.
Chair
Trustee, District 3



Kyle A. Scott, Ph.D.
Vice Chair
Trustee, Position 2



Ken E. Lloyd
Secretary
Trustee, District 9



Myriam Saldivar
Assistant Secretary
Trustee, District 6



David Holsey, DDS
Trustee, Position 1



Art Murillo
Trustee, District 4



David A. Vogt
Trustee, District 5



Linda S. Good, JD
Trustee, District 7



Ron Trowbridge, Ph.D.
Trustee, Position 8

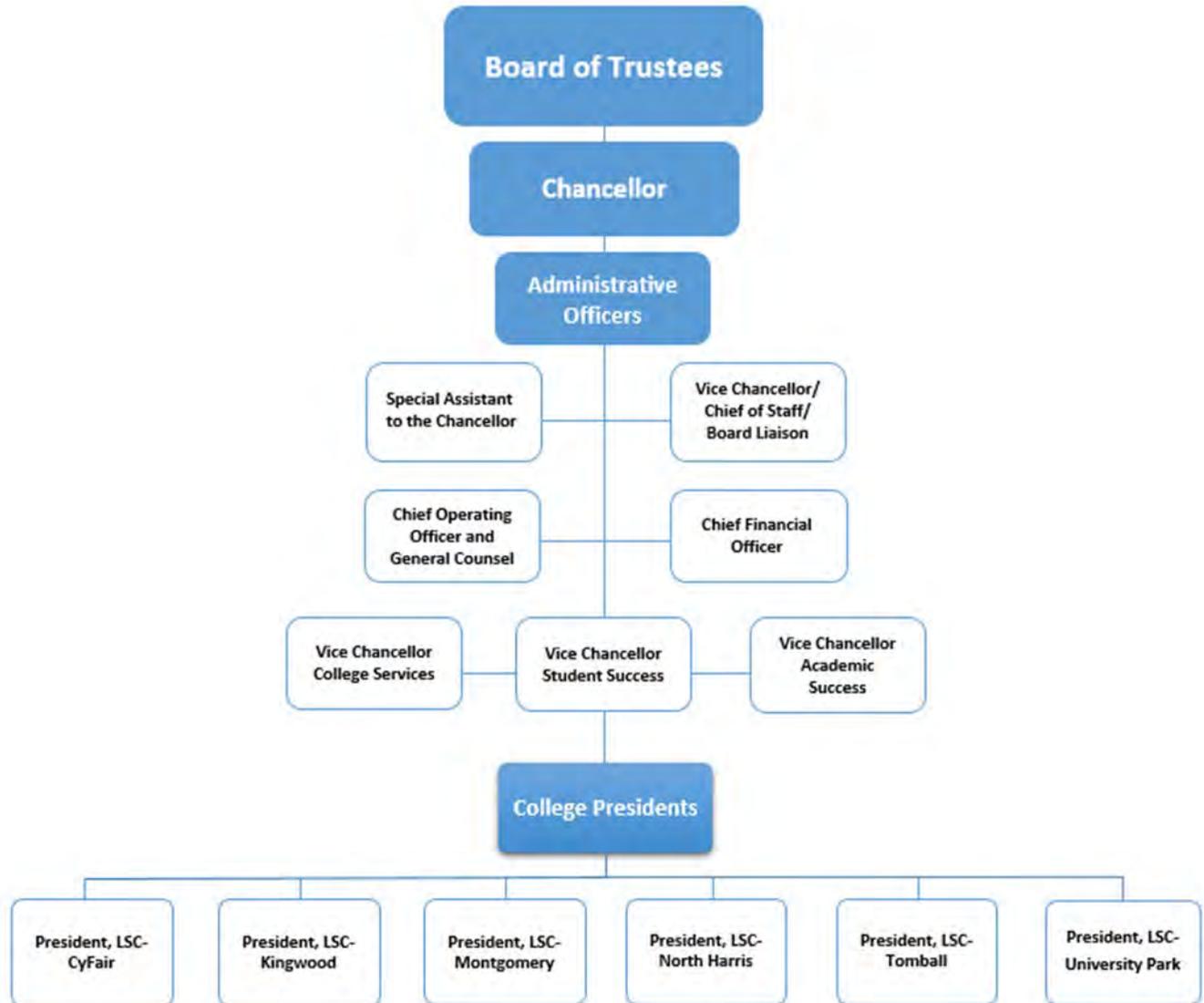
LONE STAR COLLEGE ADMINISTRATION

Principal Administrative Officers

Dr. Stephen C. Head Chancellor

Link Alander	Vice Chancellor College Services	Dr. Seelpa Keshvala	President, LSC-CyFair
Mario K. Castillo	Chief Operating Officer and General Counsel	Dr. Katherine Persson	President, LSC-Kingwood
Helen Clougherty	Vice Chancellor/ Chief of Staff/ Board Liaison	Dr. Rebecca Riley	President, LSC-Montgomery
Dr. Alicia B. Harvey-Smith	Vice Chancellor Student Success	Dr. Gerald Napoles	President, LSC-North Harris
Jennifer Mott	Chief Financial Officer	Dr. Lee Ann Nutt	President, LSC-Tomball
Dr. Dwight L. Smith, III	Vice Chancellor Academic Success	Dr. Shah Ardalan	President, LSC-University Park
Dr. Quentin Wright	Special Assistant to the Chancellor		

LONE STAR COLLEGE ORGANIZATIONAL CHART





FINANCIAL SECTION



Independent Auditors' Report



Austin | Conroe | Dallas | Fort Worth | Houston
| Los Angeles | Midland | New York City | San Antonio

Independent Auditor's Report

To the Board of Trustees
Lone Star College

Report on the Financial Statements

We have audited the accompanying financial statements of Lone Star College (the College) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The College's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, North Harris Montgomery Community College District Foundation dba Lone Star College Foundation (a Texas non-profit corporation) (the Foundation), as of and for the years ended August 31, 2019 and 2018. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Weaver and Tidwell,
L.L.P. 2821 West 7th Street, Suite 700 | Fort Worth,
Texas 76107
Main: 817.332.7905 | Fax: 817.429.5936
CPAs AND ADVISORS | WEAVER.COM

To the Board of Trustees
Lone Star College

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section, the supplementary Schedules A through D, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Expenditures of State Awards as required by the State of Texas Single Audit Circular contained in the Governor's Office of Budget and Planning *Uniform Grant Management Standards*, are also presented for purposes of additional analysis and are also not a required part of the basic financial statements.

To the Board of Trustees
Lone Star College

The supplementary Schedules A through D, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the supplementary Schedules A through D, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 18, 2019



Management's Discussion and Analysis

The purpose of the comprehensive annual financial report is to provide readers with financial information about the activities and financial condition of Lone Star College (the “College”) for the years ended August 31, 2019 and August 31, 2018. The report consists of three basic financial statements that provide information on the College as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These reports should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results is intended to provide an overview of the College’s financial activities. For purposes of the summary and discussion, the terms “2019”, “2018”, and “2017” refer to fiscal years ending August 31, 2019, August 31, 2018, and August 31, 2017, respectively.

Accounting Standards

The financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) standards. The College is considered a special-purpose government engaged in business-type activities.

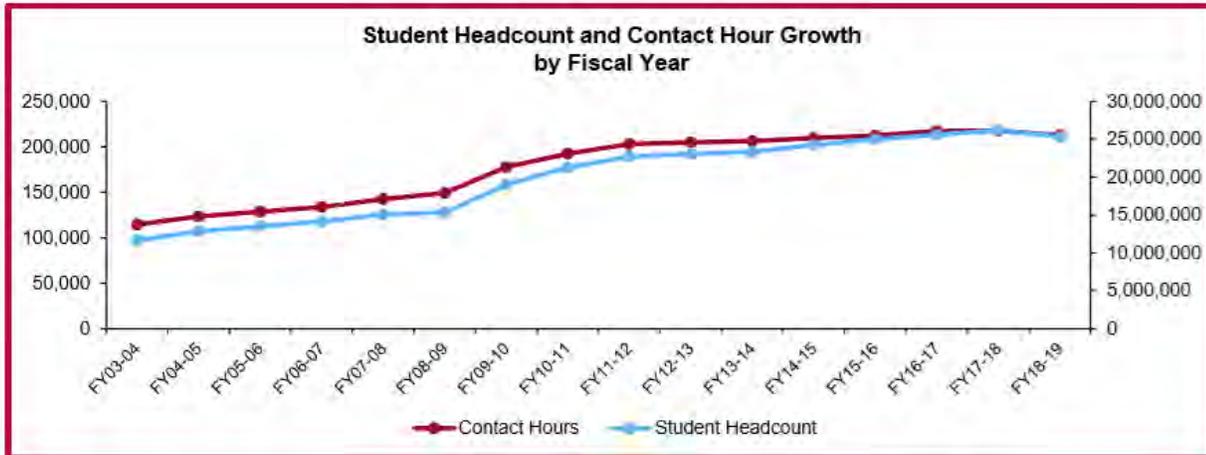
Financial and Enrollment Highlights – 2019

- Enrollment remained flat and contact hours decreased 2.0% during 2019.
- The College maintained its AAA rating from Standard & Poor’s on its general obligation debt.
- Total assets increased \$6.1 million over 2018.
- Total liabilities increased \$86.2 million from 2018 to 2019, primarily due to pension and retirement GASB reporting requirements.
- Total net position increased \$26.6 million from 2018 to 2019.
- Total operating expenses increased \$24.7 million in 2019, primarily due to pension and OPEB GASB reporting requirements.
- Deferred Inflows increased \$41.2 million from 2018 to 2019.
- Deferred Outflows increased \$147.9 million from 2018 to 2019.

Financial and Enrollment Highlights – 2018

- Enrollment remained flat and contact hours decreased 2.8% during 2018, mainly due to the impact of Hurricane Harvey, particularly on the Kingwood Campus, where several buildings were closed due to the damages.
- The College maintained its AAA rating from Standard & Poor’s on its general obligation debt.
- Total assets increased \$1.3 million over 2017 as restated.
- Total liabilities increased \$43.6 million from 2017 to 2018. In 2018, the College implemented a new governmental accounting standard that requires colleges and state agencies to record their proportional share of the State’s other postemployment benefits.
- Total net position decreased \$67.1 million from 2017 to 2018.
- Total operating expenses increased \$9.7 million in 2018, primarily due to educational activities.

The following chart depicts the growth in student headcount and contact hours by fiscal year:



¹Student headcount for each fiscal year is the total of fall, spring, and summer terms headcount.

Source: LSC Office of Analytics & Institutional Reporting

Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year. The statements include assets, liabilities, deferred outflows and inflows and are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. A summary of the most recent three fiscal years' statements is shown below.

ASSETS	August 31		
	2019	2018	2017
Current assets:			
Cash and cash equivalents	\$ 151,911,392	\$ 188,374,090	\$ 256,272,087
Short-term investments	24,009,591	24,466,170	27,815,730
Accounts receivable, net	32,550,081	25,320,938	34,985,288
Inventories	-	-	-
Prepaid items	3,268,156	1,704,923	1,767,998
Total current assets	211,739,220	239,866,121	320,841,103
Noncurrent assets:			
Long-term investments	\$ 47,972,601	\$ 67,113,150	\$ 24,160,352
Capital assets, net	955,464,160	902,057,837	862,781,156
Total non-current asset:	1,003,436,761	969,170,987	886,941,508
TOTAL ASSETS	1,215,175,981	1,209,037,108	1,207,782,611
Deferred outflows of resources			
Deferred outflows related to pensions	\$ 58,542,332	\$ 14,718,980	\$ 18,373,377
Deferred outflows related to OPEB	108,687,118	2,470,246	-
Deferred charge on refunding	23,891,459	26,039,922	28,188,385
TOTAL DEFERRED OUTFLOWS OF RESOURCES	191,120,909	43,229,148	46,561,762
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 48,570,748	\$ 61,944,029	\$ 41,025,415
Accrued compensable absences	6,179,946	5,794,549	5,533,752
Funds held for others	4,270,563	4,010,483	4,867,282
Unearned revenues	29,328,953	28,524,154	26,550,127
Net OPEB liability	2,402,877	416,261	-
Bonds payable-current portion	46,443,378	43,259,576	34,229,182
Total current liabilities	137,196,465	143,949,052	112,205,758
Noncurrent liabilities:			
Accounts payable and accrued liabilities	6,531,298	-	13,857,513
Accrued compensable absences	4,595,413	4,757,305	3,987,710
Net pension liability	107,837,014	54,472,950	62,494,141
Net OPEB liability	160,949,040	81,620,123	-
Bonds payable-noncurrent portion	681,269,351	727,281,404	776,232,864
Local government liability	16,510,198	16,562,151	16,310,263
Total non-current liabilities	977,692,314	884,693,933	872,882,491
TOTAL LIABILITIES	1,114,888,779	1,028,642,985	985,088,249
Deferred inflows of resources			
Deferred inflows related to pensions	\$ 10,088,792	\$ 13,951,035	\$ 10,662,554
Deferred inflows related to OPEB	63,227,665	18,138,638	-
Deferred inflows related to gain on refunding	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	73,316,457	32,089,673	10,662,554
NET POSITION			
Net investment in capital assets	\$ 334,489,377	\$ 275,144,614	\$ 233,665,188
Restricted:			
Expendable-			
Restricted	206,911	338,068	10,055,468
Debt service	24,659,779	26,732,726	26,774,548
Unrestricted	(141,264,413)	(110,681,810)	(11,901,634)
TOTAL NET POSITION	\$ 218,091,654	\$ 191,533,598	\$ 258,593,570

Statement of Net Position

The increase in total assets of \$6.1 million from 2018 to 2019 was primarily due to facility construction in 2019. The increase of total assets of \$1.3 million from 2017 to 2018 was primarily due to real estate acquisitions and facility construction in 2018.

Total liabilities increased \$86.2 million during 2019 and \$43.6 million during 2018 due to increases in liabilities recorded under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. These governmental accounting standards require all colleges and state agencies to recognize their share of the Employee Retirement System's Other Post-Employment Benefits ("OPEB") liability on their financial statements. Similarly, during 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This standard requires all colleges and state agencies to recognize their share of the Teacher's Retirement System of Texas (TRS) pension liability on their financial statements.

Without the effects of GASB 68 and GASB 75, the unrestricted net position would be a positive \$36.0 million at August 31, 2019 and a positive \$40.7 million at August 31, 2018.

The College's net position was \$218.1 million in 2019, \$191.5 million in 2018, and \$258.6 in 2017. The increase in 2019 net position was primarily due to an increase in deferred outflows related to OPEB.

Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ending August 31		
	2019	2018	2017
Operating Revenues			
Student tuition and fees	\$ 80,966,660	\$ 81,366,561	\$ 82,415,623
Grants & contracts	23,311,920	13,093,795	12,949,202
Auxiliary enterprises	10,422,659	10,605,529	13,012,225
Other	3,107,386	4,317,001	3,389,147
Total operating revenues	<u>117,808,625</u>	<u>109,382,886</u>	<u>111,766,197</u>
Operating Expenses			
Educational Activities	440,534,522	419,098,128	406,858,687
Auxiliary Activities	9,658,720	8,935,215	11,984,844
Depreciation Expense	25,282,482	22,770,474	22,222,193
Total operating expenses	<u>475,475,724</u>	<u>450,803,817</u>	<u>441,065,724</u>
Operating Loss	(357,667,099)	(341,420,931)	(329,299,527)
Non-Operating Revenues			
Ad-valorem taxes	205,480,045	197,844,342	189,133,551
State Appropriations	115,419,152	102,753,058	95,681,136
Federal Revenue, Non-Operating	77,278,621	82,323,906	77,449,276
Investment income	7,061,113	4,848,309	2,609,230
Interest and fees on capital asset - related debt	(24,447,197)	(23,116,180)	(24,844,466)
Other	3,433,421	5,463,164	4,437,790
Total net non-operating revenues	<u>384,225,155</u>	<u>370,116,599</u>	<u>344,466,517</u>
Increase (Decrease) in Net Position	26,558,056	28,695,668	15,166,990
Net Position at Beginning of Year	191,533,598	258,593,570	243,426,580
Prior Period Adjustments	-	(95,755,640)	
Net Position, End of Year	<u>\$ 218,091,654</u>	<u>\$ 191,533,598</u>	<u>\$ 258,593,570</u>

Student tuition and fee revenue is reported net of scholarships and discounts. In Fall 2018 the College increased the base tuition per credit hour for out of district, out of state and differential fees. As a result, the associated tuition and fee revenue in 2019 improved \$5.6 million with an offset of \$4.2 million increase in scholarships and discounts, and \$3.2 million of bad debt expense as the College reevaluated the collectability of its student receivables at August 31, 2019. Compared to 2017, tuition and fees revenue in 2018 improved \$6.7 million with an offset of \$5.3 million increase in scholarships and discounts, and \$2.5 million of bad debt expense as the College reevaluated the collectability of its student receivables at August 31, 2018. At \$44 per credit hour, the College's tuition rate remains below the Texas average for community colleges.

Grants & contracts increased in 2019 due to an increase in federal grant funding. Grants & contracts increased only slightly in 2018 compared to 2017.

Auxiliary enterprise revenues remained flat in 2019; while expenses for restricted educational activities decreased \$10.6 million and expenses for unrestricted educational activities increased \$32 million, resulting in a total net educational activities expense increase of \$21.4 million in 2019. The unrestricted educational activities increase of \$32.0 million relates primarily to increased costs for Instruction, Academic Support, Student Services, and Institutional support. Auxiliary enterprise revenues decreased \$2.4 million in 2018 primarily due to the ending of International Partnership fees. In 2018, expenses for restricted educational activities increased \$16.3 million while expenses for unrestricted educational activities decreased \$4.1 million, resulting in a total net educational activities increase of \$12.2 million. The unrestricted educational activities increase of \$16.3 million relates to Hurricane Harvey recovery efforts.

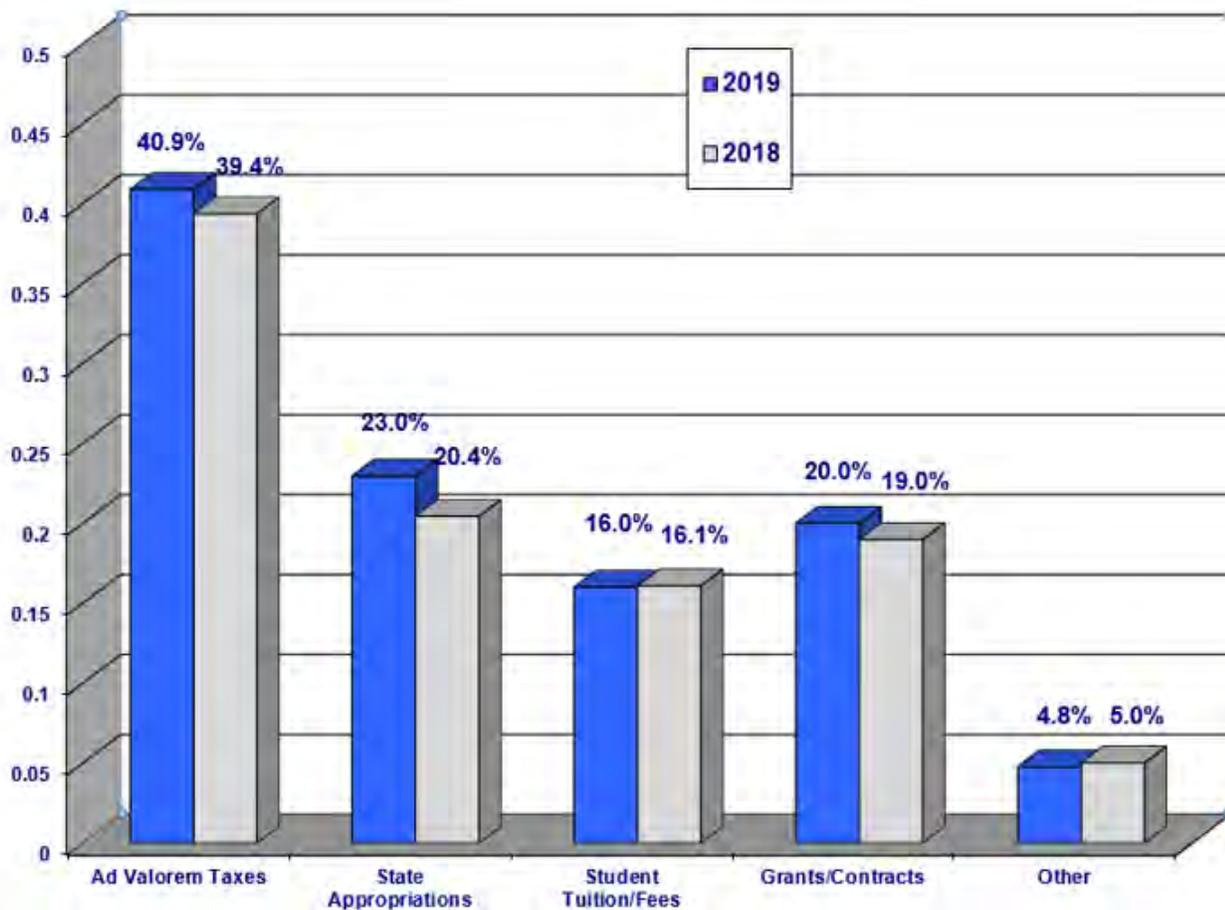
Tax revenues increased \$7.6 million in 2019 and \$8.7 million in 2018 due to an increase in appraised values and the addition of new properties. Investment income increased \$2.2 million in 2019 and \$2.2 million in 2018 due to improved interest rates, combined with additional investments originating from new bond funds.

State appropriations increased by \$12.7 million in 2019 due primarily to Hurricane Harvey specific appropriated funding. State appropriations increased \$7.1 million in 2018 as a result of additional growth funding received and an increase in state contributions for health insurance.

Total Revenues

The College has four main sources of revenue: ad valorem taxes, state appropriations, student tuition and fees, and grants and contracts.

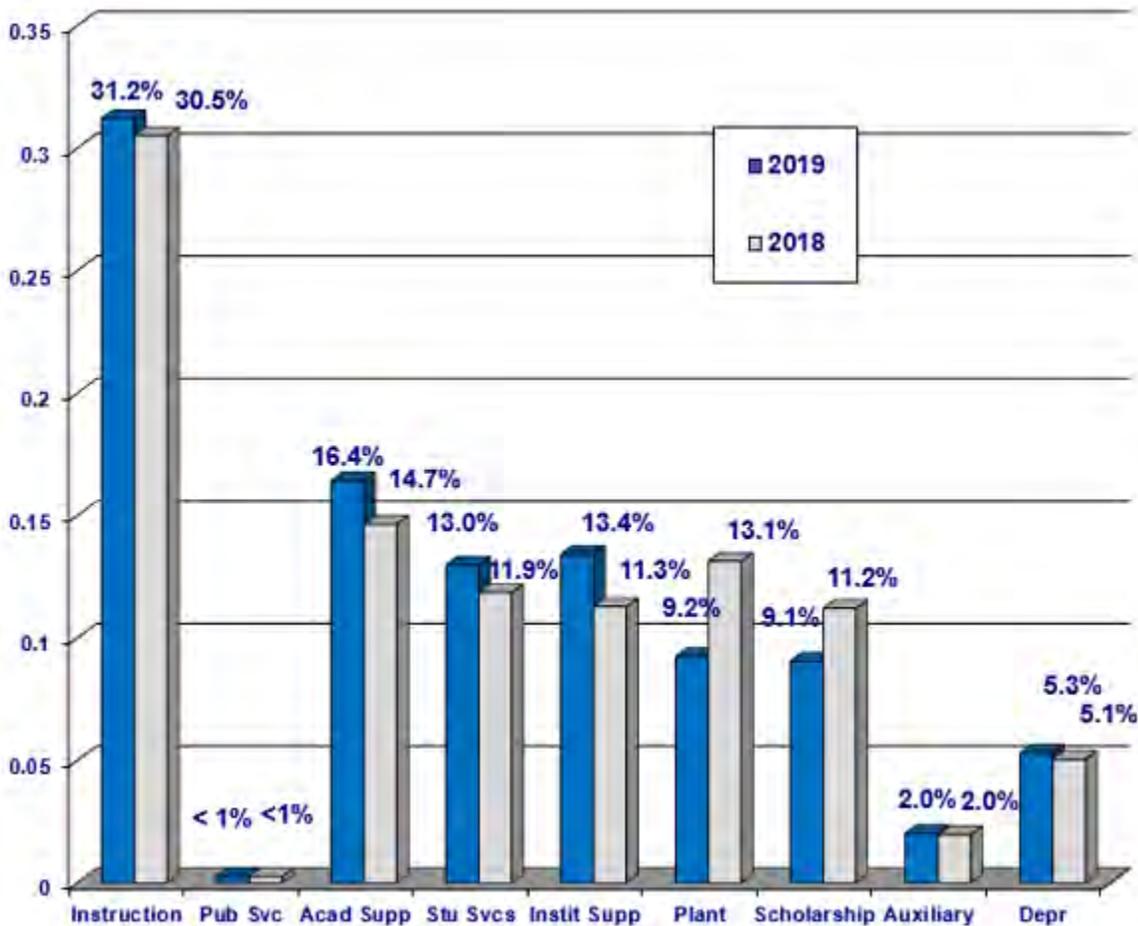
The following chart illustrates the breakdown of total revenues for the College.



Total Expenses

Expenses for the College can be grouped into nine functional categories: instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships, auxiliary, and depreciation.

The following chart illustrates the breakdown of total expenses for the College.



At 31% and 30% of the total expenses for 2019 and 2018, respectively, instruction is by far the College’s largest expense. Institutional Support expenses increased slightly in 2019 from 2018 at 13.4% and 11.3% respectively. Plant expenses decreased to 9.2% in 2019 from 13.1% in 2018. All other expense categories remained relatively constant. Instructional expenses increased in 2018 due to the Kingwood Campus renovation and reconstruction work after the impact of Hurricane Harvey in August 2017. Also related to the Kingwood Campus buildback is the increase in plant expenses from 11% in 2017 to 13% in 2018.

Capital Assets and Long-Term Debt Activity

As depicted in Note 5 to the financial statements, capital assets increased \$53.4 million in 2019. On November 4, 2014, the voters authorized the College to issue \$485 million General Obligation Bonds for the College’s capital program. The following lists some of the major projects in progress under the 2014 GO Bond Program.

Bond Projects Completed and in Process as of August 31, 2019

- Nearing completion of the 54,000 square foot renovation of LSC Cy-Fair Westway Park Technology Center.
- Continued design phase of the 50,000 square foot LSC-Kingwood Healthcare Building.
- Nearing completion of the 60,000 square foot LSC-North Harris East Aldine Satellite Center.
- Continued design phase of the 50,000 square foot LSC-Montgomery Student Services Building.
- Entering initial design phase of the 40,000 square foot LSC-University Park Visual and Performing Arts Center.
- Nearing completion of the LSC-Kingwood renovation and build back from the destruction caused in August of 2017 from Hurricane Harvey.
- Continued construction of the 15,000 square foot LSC-Corporate College Transportation Technology and Logistics Institute.

Bond Projects Completed and in Process as of August 31, 2018

- Nearing completion of the 54,000 square foot renovation of LSC-CyFair Westway Park Technology Center.
- Entering initial contract phase of LSC-Kingwood Healthcare Instructional Building.
- Continued construction of the 65,000 square foot/\$26.7 million East Aldine Satellite Center at LSC-North Harris.
- Entering initial contract phase of 60,000 square foot LSC-Montgomery Student Services building.
- Entering initial programming phase of 40,000 square foot LSC-University Park Instructional Arts building.
- Nearing the end of completion of LSC Kingwood renovation and build back from the destruction caused in August of 2017 from Hurricane Harvey.

As detailed in Note 7 to the financial statements, financing for the above projects has been achieved through the issuance of long-term bonds. The first tranche of the \$485 million 2014 General Obligation bond program was issued April 29, 2015, the second tranche of the program was issued February 16, 2017, and the balance will be issued in a later period.

As indicated in Note 21 to the financial statements, the noncurrent funds held for others relate to an interlocal agreement between the College and Aldine ISD (“AISD”) approved by the Board of Trustees at their meeting in September 2016. As of August 31, 2019, AISD has deposited \$16.5 million of funds in an escrow account with the College, as prescribed by the interlocal agreement. These escrowed funds are being used to pay for costs related to this facility upon approval by AISD.

Currently Known Facts, Decisions and Conditions

On August 25, 2017, Hurricane Harvey made landfall as a Category 4 hurricane. The storm lingered over Texas and Louisiana for days producing over 50 inches of rain in some areas, resulting in widespread flooding and damage. As a result of Hurricane Harvey, the College’s Kingwood campus suffered extensive damages to six of nine buildings due to flooding caused by the San Jacinto River, which contained sewage from the nearby flooded water treatment plant. As of August 31, 2019, the damaged buildings are nearly complete – with one exception – the reconstruction of a new Dental Hygiene Facility, anticipated to open in Spring 2020.

The College continues working with Federal Emergency Management Agency (“FEMA”) representatives to recover the eligible costs of damages incurred by the College.

The Department of Education (“DOE”) conducted a program review of the College’s administration of programs authorized by Title IV of the Higher Education Act for award years that spanned from July 1, 2012 through June 30, 2016, which resulted in the identification of instances of noncompliance with certain program requirements. At the request of the Department of Education in conjunction with this program review, during the year ended August 31, 2017, the College conducted an internal review of such noncompliance. This review identified potentially ineligible disbursements during the period under review aggregating to \$13,465,367. In a letter dated October 23, 2018, the Department of Education communicated its final determination that the College is obligated to repay this amount along with \$392,146 in interest, resulting in a total liability of \$13,857,513. The College’s management reviewed the DOE findings included in the final program review determination. The College found evidence and documentation that supports a lower amount of ineligible disbursements; accordingly, the College appealed the determination. As of August 31, 2019, the College has settled the claim. The amount of \$13,857,513 was the estimated contingency recorded as a liability at August 31, 2018; the final amount of the settlement was \$9,026,563. A payment of \$902,656 towards the liability was made in fiscal year 2019. The remaining \$8,123,907 is payable in five annual installments of \$1,673,848, including interest at 1.0%, beginning on May 1, 2020. The remaining \$8,123,907 is divided between current and noncurrent liabilities as follows: \$1,592,609 and \$6,531,298, respectively.

The FY 2020 Approved Budget, approved during the August 1, 2019 Board of Trustees meeting, was based on the following revenue assumptions:

- 6.6% projected increase in assessed values for ad valorem taxes for tax year 2019.
- Current tax rate of 10.78 cents per \$100 of taxable value unchanged.
- \$5 per credit hour increase in Fall 2019 for tuition.
- \$10 per credit hour increase in Fall 2019 for out of district fees and \$30 per credit hour increase in Fall 2019 for out of state/international fees.
- \$1 per credit hour average increase in differential fees and \$1 per credit hour increase for distance learning fees in Fall 2019.
- \$1 increase for the infrastructure fee and registration fee in Fall 2019.



Financial Statements

**Lone Star College
STATEMENTS OF NET POSITION
AUGUST 31, 2019 AND 2018**

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents (Note 4)	\$ 151,911,392	\$ 188,374,090
Short-term investments (Note 4)	24,009,591	24,466,170
Accounts receivable, net (Note 13)	32,550,081	25,320,938
Prepaid items	3,268,156	1,704,923
Total current assets	211,739,220	239,866,121
Noncurrent assets:		
Long-term investments (Note 4)	\$ 47,972,601	\$ 67,113,150
Capital assets, net (Note 5)	955,464,160	902,057,837
Total non-current assets:	1,003,436,761	969,170,987
TOTAL ASSETS	1,215,175,981	1,209,037,108
Deferred outflows of resources		
Deferred outflows related to pensions (Note 10)	\$ 58,542,332	\$ 14,718,980
Deferred outflows related to OPEB (Note 20)	108,687,118	2,470,246
Deferred charge on refunding	23,891,459	26,039,922
TOTAL DEFERRED OUTFLOWS OF RESOURCES	191,120,909	43,229,148
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (Note 13)	\$ 48,570,748	\$ 61,944,029
Accrued compensable absences (Note 6 & 11)	6,179,946	5,794,549
Funds held for others	4,270,563	4,010,483
Unearned revenues	29,328,953	28,524,154
Net OPEB liability (Note 6 & 20)	2,402,877	416,261
Bonds payable-current portion (Note 6 & 7)	46,443,378	43,259,576
Total current liabilities	137,196,465	143,949,052
Noncurrent liabilities:		
Accounts payable and accrued liabilities (Note 12 & 13)	6,531,298	-
Accrued compensable absences (Note 6 & 11)	4,595,413	4,757,305
Net pension liability (Note 6 & 10)	107,837,014	54,472,950
Net OPEB liability (Note 6 & 20)	160,949,040	81,620,123
Bonds payable-noncurrent portion (Note 6 & 7)	681,269,351	727,281,404
Local government liability (Note 21)	16,510,198	16,562,151
Total non-current liabilities	977,692,314	884,693,933
TOTAL LIABILITIES	1,114,888,779	1,028,642,985
Deferred inflows of resources		
Deferred inflows related to pensions (Note 10)	\$ 10,088,792	\$ 13,951,035
Deferred inflows related to OPEB (Note 20)	63,227,665	18,138,638
TOTAL DEFERRED INFLOWS OF RESOURCES	73,316,457	32,089,673
NET POSITION		
Net investment in capital assets	\$ 334,489,377	\$ 275,144,614
Restricted:		
Expendable-		
Restricted	206,911	338,068
Debt service	24,659,779	26,732,726
Unrestricted	(141,264,413)	(110,681,810)
TOTAL NET POSITION (Schedule D)	\$ 218,091,654	\$ 191,533,598

The accompanying notes are an integral part of the financial statements.

**Lone Star College Foundation
Statement of Financial Position**

<i>August 31</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 464,387	\$ 382,307
Accounts receivable	85,727	-
Pledges and contributions receivable	66,776	147,950
Prepaid expenses	2,751	1,740
Total current assets	619,641	531,997
Long-term assets		
Pledges receivable, net current portion	-	20,000
Certificates of deposit	-	292,488
Investments, at fair value	28,333,501	27,197,006
Total assets	\$ 28,953,142	\$ 28,041,491
Liabilities and net assets		
Current liabilities		
Deferred revenue	\$ 37,700	\$ 5,000
Commitments and contingencies		
Net assets		
Unrestricted		
Undesignated	1,599,051	1,555,163
Board designated	2,828,296	3,106,805
With donor restrictions	24,488,095	23,374,523
Total net assets	28,915,442	28,036,491
Total liabilities and net assets	\$ 28,953,142	\$ 28,041,491

The accompanying notes are an integral part of these financial statements.

EXHIBIT 2

Lone Star College
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$57,633,681 in 2019 and \$53,456,707 in 2018)	\$ 80,966,660	\$ 81,366,561
Federal grants and contracts	14,932,098	5,565,319
State and local grants and contracts	8,379,822	7,528,476
Auxiliary enterprises	10,422,659	10,605,529
Other operating revenue	3,107,386	4,317,001
Total operating revenues (Schedule A)	<u>117,808,625</u>	<u>109,382,886</u>
OPERATING EXPENSES		
Instruction	148,442,351	137,567,408
Public service	1,333,390	1,200,693
Academic support	78,136,922	66,092,544
Student services	61,747,763	53,508,904
Institutional support	63,816,206	50,897,485
Operation and maintenance of plant	43,961,962	59,256,709
Scholarships and fellowships	43,095,928	50,574,385
Auxiliary enterprises	9,658,720	8,935,215
Depreciation	25,282,482	22,770,474
Total operating expenses (Schedule B)	<u>475,475,724</u>	<u>450,803,817</u>
Operating loss	<u>(357,667,099)</u>	<u>(341,420,931)</u>
NON-OPERATING REVENUE (EXPENSES)		
Ad-Valorem taxes		
Maintenance and operations	152,277,079	146,643,168
Debt service	53,202,966	51,201,174
State appropriations	115,419,152	102,753,058
Federal revenue, non-operating	77,278,621	82,323,906
Gifts	284,059	493,916
Investment income, net	7,061,113	4,848,309
Interest and fees on capital asset-related debt (net of capitalized interest costs of \$1,369,882 in 2019 and \$4,887,790 in 2018)	(24,447,197)	(23,116,180)
Gain on sale/donation of capital assets	556,851	228
Loss on disposal of capital assets	(370,104)	(408,553)
Other non-operating revenues	2,962,615	5,377,573
Total net non-operating revenue (Schedule C)	<u>384,225,155</u>	<u>370,116,599</u>
Increase (decrease) in net position	26,558,056	28,695,668
NET POSITION, BEGINNING OF YEAR	<u>191,533,598</u>	<u>162,837,930</u>
NET POSITION, END OF YEAR	<u>\$ 218,091,654</u>	<u>\$ 191,533,598</u>

The accompanying notes are an integral part of the financial statements.

Lone Star College Foundation
Statement of Activities and Changes in Net Assets

<i>For the year ended August 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Donations	\$ 30,543	\$ 2,120,598	\$ 2,151,141
Fundraising donations	384,720	195,255	579,975
Net realized and unrealized gain on investments	25,335	215,177	240,512
Interest and dividends, net of investment fees	55,883	527,050	582,933
In-kind revenue	590,408	-	590,408
Net assets released from restrictions	1,944,508	(1,944,508)	-
Total revenue and support	3,031,397	1,113,572	4,144,969
Expenses			
Program services			
	2,501,784	-	2,501,784
Supporting services			
General and administrative	302,686	-	302,686
Fundraising	461,548	-	461,548
Total expenses	3,266,018	-	3,266,018
Change in net assets	(234,621)	1,113,572	878,951
Net assets at beginning of year	4,661,968	23,374,523	28,036,491
Net assets at end of year	\$ 4,427,347	\$ 24,488,095	\$ 28,915,442

The accompanying notes are an integral part of these financial statements.

Lone Star College Foundation
Statement of Activities and Changes in Net Assets

<i>For the year ended August 31, 2018</i>	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Donations	\$ 1,061,377	\$ 2,260,154	\$ 3,321,531
Fundraising donations	444,808	60,156	504,964
Net realized and unrealized gain on investments	156,545	1,628,260	1,784,805
Interest and dividends, net of investment fees	47,789	400,844	448,633
In-kind revenue	567,349	-	567,349
Total revenue and support	2,277,868	4,349,414	6,627,282
Restrictions released			-
Program expenditures	3,938,566	(3,938,566)	
Total revenue, support and releases	6,216,434	410,848	6,627,282
Expenses			
Program services			
Program enrichment	2,355,502	-	2,355,502
Student scholarships	1,444,738	-	1,444,738
Mini-grants	18,163	-	18,163
Institutional development	268,643	-	268,643
Total program services	4,087,046	-	4,087,046
Non-program services			
Fundraising	229,636	-	229,636
General and administrative	601,937	-	601,937
Total expenses	4,918,619	-	4,918,619
Change in net assets	1,297,815	410,848	1,708,663
Net asset transfers	(41,000)	19,799	-
Net assets at beginning of year	3,405,153	8,413,671	28,036,491
Net assets at end of year	\$ 4,661,968	\$ 8,844,318	\$ 29,745,154

The accompanying notes are an integral part of these financial statements.

Lone Star College
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 124,119,760	\$ 139,755,030
Receipts from grants and contracts	22,528,043	12,257,133
Payments to suppliers for goods and services	20,489,102	30,218,828
Payments to or on behalf of employees	(260,180,254)	(151,913,251)
Payments for scholarships and fellowships	(205,024,636)	(211,440,145)
Other receipts	312,265	4,919,109
Net cash used by operating activities	<u>(297,755,720)</u>	<u>(176,203,296)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	91,081,991	77,983,684
Receipts from ad-valorem taxes	153,334,830	148,721,950
Receipts from non-operating federal revenue	77,278,621	82,323,905
Payments for Federal loans issued to students	(27,796,332)	(37,622,502)
Receipts from Federal loans for students	27,728,323	37,623,828
Receipts from gifts	284,059	493,916
Net cash provided by non-capital financing activities	<u>321,911,492</u>	<u>309,524,781</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad-valorem taxes	54,159,170	53,359,997
Paid for acquisition and construction of capital assets	(79,100,095)	(161,157,533)
Proceeds from sale of capital assets	556,852	228
Principal paid on capital debt and leases	(33,545,000)	(30,145,000)
Interest paid on capital debt and leases	(29,287,474)	(28,436,578)
Net cash used by financing activities	<u>(87,216,547)</u>	<u>(166,378,886)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	80,270,000	40,006,935
Interest on investments	6,703,077	4,892,884
Purchase of investments and related fees	(60,375,000)	(79,740,415)
Net cash provided by (used by) investing activities	<u>26,598,077</u>	<u>(34,840,596)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(36,462,698)	(67,897,997)
Cash and Cash Equivalents, Beginning of Year	188,374,090	256,272,087
Cash and Cash Equivalents, End of Year (Exhibit 1 & Note 4)	<u>\$ 151,911,392</u>	<u>\$ 188,374,090</u>

The accompanying notes are an integral part of the financial statements.

Lone Star College
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss (Exhibit 2)	\$ (357,667,099)	\$ (341,420,931)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense (Exhibit 2)	25,282,482	22,770,474
Bad debt expense	3,160,329	1,507,233
Payments made directly by state for benefits	24,337,161	24,769,375
Changes in assets and liabilities		
Receivables, net	(10,078,264)	8,445,587
Prepaid items	(1,563,232)	63,077
Deferred outflows	(150,040,224)	1,184,151
Accounts payable and accrued liabilities	(8,381,638)	8,828,331
Unearned revenue	804,799	2,033,503
Funds held for others (Exhibit 2)	260,080	(856,799)
Accrued compensable absences	223,505	1,030,392
Net pension/OPEB liability	134,679,597	74,015,193
Deferred inflows	41,226,784	21,427,119
Total adjustments	59,911,379	165,217,635
Net cash used by operating activities	\$ (297,755,720)	\$ (176,203,296)
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Payments made directly by state for benefits	\$ 24,337,161	\$ 24,769,375
Net pension/OPEB liability	25,740,020	(840,212)
Charge on refunding	23,891,459	26,039,922
Net Non-cash Investing, Capital, and Financing Activities	\$ 73,968,640	\$ 49,969,085

The accompanying notes are an integral part of the financial statements.



Notes to Financial Statements

LONE STAR COLLEGE

Notes to Financial Statements

For the Fiscal Years Ended
August 31, 2019 and 2018

1. REPORTING ENTITY

Lone Star College (the “College”) was established in 1972 as a junior college district, in accordance with the laws of the State of Texas, to serve the educational needs of the northern part of Harris County and the southern part of Montgomery County, Texas. The College encompasses the Aldine, Conroe, Cypress-Fairbanks, Humble, Klein, Magnolia, New Caney, Splendora, Spring, Tomball and Willis Independent School Districts. The College is a comprehensive, public, two-year institution offering academic, general, occupational, developmental, and continuing adult education programs through a network of campuses. The campuses of LSC-CyFair, LSC-Kingwood, LSC-Montgomery, LSC-North Harris, LSC-Tomball, and LSC-University Park comprise the College. Associated with these campuses, the College also operates eight centers and two university centers.

The College is considered a special-purpose government engaged in business-type activities. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

In evaluating how to define the College for financial reporting purposes, management has considered all potential component units, including the Lone Star College Foundation (the “Foundation”). The Foundation is a separate non-profit organization, and its sole purpose is to provide benefits such as scholarships and grants to the students, faculty and staff of the College. The Foundation is a legally separate entity that does not provide a financial benefit or impose a financial burden on the College. The College does not appoint any of the Foundation’s board members. The financial position and results of operations of the Foundation are included in these financial statements in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units – An Amendment of GASB Statement No. 14*, as an affiliated entity because the Foundation’s sole function is to fund the College and its students. Note 19 to the financial statements describes the Foundation and its financial statement presentation in more detail.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The accompanying financial statements also comply with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College is reported as a special-purpose government engaged in business-type activities.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. All revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Tuition Discounting

Texas Public Education Grants (TPEG)

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code § 56.033). When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds (HEA)

Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments consist of balances in privately managed public funds investment pools and investments in United States (U.S.) securities and U.S. Agency securities. The College reports all investments at fair value, except for investment pools. As permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, the College's local government investment pools are valued and reported at amortized cost, which approximates fair value.

The College categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 or more to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 50 years for building and other real estate improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

Unearned Revenues

A portion of tuition and fee revenue and federal, state, and local grants received as of August 31, 2019 and 2018, are related to the period after August, and therefore have been reported as unearned revenues at August 31, 2019 and 2018, respectively.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates in the College's financial statements relate to the net pension liability, the OPEB liability, associated deferred outflows and deferred inflows, and depreciation expense.

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity (BTA) and as a single proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees and some federal grants and contracts. The major non-operating revenue sources are state appropriations, property tax collections, and Federal Title IV grant programs.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal non-operating expense is long-term debt interest and fees. The bookstore and food service facilities are operated by a third-party contractor.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The College has three items that qualify for reporting in this category:

- Deferred charge on refunding - Reported in the Statements of Net Position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For additional information, see Note 8.
- Deferred outflows related to pension – Reported in the Statements of Net Position, this deferred outflow results from differences between projections and actual results, changes in actuarial assumptions, changes in proportion and differences between the employer's contributions and pension plan contributions made after the measurement date of the net pension liability. For additional information, see Note 10.
- Deferred outflows related to OPEB – Reported in the Statements of Net Position, this deferred outflow results from differences between projections and actual results, changes in proportion and differences between the employer's contribution, and OPEB plan contributions made after the measurement date of OPEB. For additional information, see Note 20.

A *deferred inflow of resources* is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The College has two items that qualify for reporting in this category:

- Deferred inflows related to pension – Reported in the Statements of Net Position, this deferred inflow represents the College's proportionate share of collective deferred inflows of the TRS pension plan. For additional information, see Note 10.
- Deferred inflows related to OPEB – Reported in the Statements of Net Position, this deferred inflow represents the College's proportionate share of collective deferred inflows of the ERS OPEB plan. For additional information, see Note 20.

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost-sharing benefit pension plan with special funding situations. The fiduciary net position of the TRS plan has been determined based on the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, and liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 financial statement presentation. Such reclassifications had no effect on increase in net position.

New GASB Pronouncements

Effective with fiscal year 2019, the College implemented the following:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this statement will enhance comparability of financial statements among governments. It will also enhance decision-usefulness by requiring disclosures related to asset retirement obligations.
- GASB Statement No. 84, *Fiduciary Activities*. The objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement will improve financial reporting related to debt by providing users of financial statements with essential information that had not been consistently provided. Users of financial statements will have better information to understand the effects of debt on a government's future resource flows.

The following GASB Statements are effective for subsequent years:

GASB Statement No. 87, *Leases*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2020.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2020.

GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends August 31, 2022.

Earlier application of these statements is encouraged. For the original pronouncements, please visit the GASB's website, <https://www.gasb.org>.

3. AUTHORIZED INVESTMENTS

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (PFIA) (Sec. 2256.001 Texas Government Code). The Board of Trustees has adopted a written investment policy regarding the investment of its funds as defined in the PFIA. This policy is reviewed and approved annually.

The College may invest in any investment authorized by Texas Government Code Chapter 2256 or its successor statute.

The College may not invest in the following:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no interest.
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and pays no interest.
- Collateralized mortgage obligations with a stated final maturity greater than 10 years.
- Collateralized mortgage obligations with an interest rate determined by an index that adjusts opposite to the changes in a market index.

4. DEPOSITS AND INVESTMENTS

Cash and cash equivalents included on Exhibit 1, Statements of Net Position, consist of:

	2019	2018
Demand Deposits	\$ 3,398,036	\$ 3,646,546
Petty Cash on Hand	26,094	31,200
External Investment Pools	146,610,333	182,865,317
Money Market	1,876,929	1,831,027
Total Cash and Cash Equivalents	<u>\$ 151,911,392</u>	<u>\$ 188,374,090</u>

Reconciliation of Deposits and Investments to Statements of Net Position (Exhibit 1):

	Market Value at August 31,	
	2019	2018
U. S. Agency, Treasury Notes and Bonds > 1 Year Maturity	\$ 47,972,601	\$ 67,113,150
U. S. Agency, Treasury Notes and Bonds < 1 Year Maturity	15,009,591	21,466,170
Commercial Paper	9,000,000	3,000,000
Cash and Deposits	151,911,392	188,374,090
Total Deposits and Investments	<u>\$ 223,893,584</u>	<u>\$ 279,953,410</u>
Cash and Cash Equivalents (Exhibit 1)	151,911,392	188,374,090
Long Term Investments (Exhibit 1)	47,972,601	67,113,150
Short Term Investments (Exhibit 1)	24,009,591	24,466,170
Total Deposits and Investments	<u>\$ 223,893,584</u>	<u>\$ 279,953,410</u>

As of August 31, 2019, the College had the following investments and maturities:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External Investment Pools	\$ 146,610,333	0.12
Money Market	1,876,929	0.09
U.S. Agency, Treasury Notes & Bonds	62,982,192	0.94
Commercial Paper	9,000,000	0.12
Total Carrying Value	<u>\$ 220,469,454</u>	<u>0.35</u>

The fair value hierarchy of investments at August 31, 2019 and 2018 follows:

	Total Fair Value	2019 Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<u>Investments</u>				
U.S. Agency, Treasury Notes & Bonds	\$ 62,982,192	\$ -	\$ 62,982,192	\$ -
Commercial Paper	9,000,000		9,000,000	
Total	\$ 71,982,192	\$ -	\$ 71,982,192	\$ -

	Total Fair Value	2018 Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<u>Investments</u>				
U.S. Agency, Treasury Notes & Bonds	\$ 88,579,320	\$ -	\$ 88,579,320	\$ -
Commercial Paper	3,000,000		3,000,000	
Total	\$ 91,579,320	\$ -	\$ 91,579,320	\$ -

Interest Rate Risk - In accordance with State of Texas law and the College's investment policy, the College does not purchase any investments with maturities greater than three years. The College manages its exposure to declines in fair value by limiting the weighted-average maturity of its investment portfolio to approximately one year or less.

Credit Risk and Concentration of Credit Risk - In accordance with State of Texas law and the College's investment policy, investments in mutual funds and investment pools must be rated at least "AAA" and commercial paper must be rated at least "A-1" or "P-1". To reduce market risk, the College has established portfolio diversification requirements by issuer and/or type of investment. The College's portfolio is within the stated parameters at August 31, 2019. As of August 31, 2019, more than 5% of the College's investments are in Lone Star Investment Pool (60.1%), Federal Home Loan Bank (FHLB) (9.3%), Federal Home Loan Mortgage Corp (FHLMC) (6.8%) and U.S. Treasury Notes (5.9%).

Commercial Paper, US Agency, Treasury Notes and Bonds classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

The credit quality (ratings) and concentration of the College's portfolio as of August 31, 2019 are as follows:

Security	Credit Rating	Concentration	
		Actual	Limit
External Investment Pools	AAA	66.50%	100%
U.S. Agencies, Treasury Notes and Bonds	AA+	28.57%	90%
Commercial Paper	A1/P1	4.08%	25%
Money Market	N/A	0.85%	100%
		100.00%	

The State of Texas Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool and TexPool Prime). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State of Texas Comptroller of Public Accounts has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool and TexPool Prime. The Advisory Board members review the investment policy and management fee structure.

TexPool and TexPool Prime are rated AAA-m by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information is submitted to both Standard & Poor's and the Office of the State of Texas Comptroller of Public Accounts for review.

The First Public (Lone Star Investment Pool) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 225, Texas Government Code. It is governed by trustees comprised of active participants in First Public. The Board of Trustees for First Public has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. First Public is rated AAA-m by Standard & Poor's. First Public consists of Corporate Overnight Plus Funds, Corporate Overnight Funds and Government Overnight Funds.

Local Government Investment Cooperative ("LOGIC" or the "Fund") was organized in conformity with the Inter-local Cooperation Act ("ICA"), Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The ICA and the PFIA provide for the creation of public funds investment pools (including LOGIC) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. Only eligible local governments and agencies of the State of Texas may become Participants. The Fund changed its Organizational structure to a trust effective December 20, 2015. The Cooperative's governing body is a five-member Board of Directors (the "Board") comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. The LOGIC Bylaws also permit a maximum of two Advisory Directors to serve in a non-voting advisory capacity to the Board. J.P. Morgan Investment Management Inc. ("JPMIM") provides investment management services to the Board and Hilltop Securities Inc. ("HTS") provides Participant administrative, marketing and distribution services to the Board. JPMIM and HTS act as Co-Administrators under an Amended and Restated Agreement for Investment Management and Related Services with the Board (the "Agreement"), which was amended and restated effective February 1, 2017. Pursuant to the Agreement, each Co-Administrator may provide services to the Board through the use of affiliates, subcontractors or delegates. JPMorgan Chase Bank, N.A. ("JPMCB") and/or its subcontractors or delegates provide custodial, fund accounting, and depository services, and DST Asset Manager Solutions, Inc. provides transfer agency services. In compliance with the Public Funds Investment Act, all portfolios will maintain a AAA-m or equivalent rating from at least one nationally recognized rating agency. LOGIC has been assigned a rating of AAA by Standard & Poor's.

TexPool, First Public and Logic investment pools are not registered with the Securities & Exchange Commission (SEC) as investment companies but operate in accordance with GASB 79 *Certain External Investment Pools and Pool Participants* and the SEC's Rule 2a7 of the Investment Company Act of 1940. The pools use amortized cost (which excludes unrealized gains and losses) rather than market value to report net positions to compute share price.

5. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2019 was as follows:

	Balance August 31, 2018	Increase	Decrease	Balance August 31, 2019
<u>Not Depreciated</u>				
Land	\$ 86,978,392	\$ 7,345,118	\$ (3,325,365)	\$ 90,998,145
Construction-in-Progress	47,692,568	19,120,771	(37,079,331)	29,734,008
Subtotal	<u>134,670,960</u>	<u>26,465,889</u>	<u>(40,404,696)</u>	<u>120,732,153</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	844,299,389	82,114,812	-	926,414,202
Other Real Estate Improvements	<u>62,196,458</u>	<u>2,167,462</u>	<u>-</u>	<u>64,363,920</u>
Total Buildings & Other Real Estate Improvements	906,495,848	84,282,274	-	990,778,122
Library Books	13,057,144	270,042	(197,866)	13,129,320
Furniture, Machinery, Vehicles & Other	100,186,178	8,445,400	(1,242,702)	107,388,876
Total Buildings and Other Capital Assets	<u>1,019,739,170</u>	<u>92,997,716</u>	<u>(1,440,568)</u>	<u>1,111,296,318</u>
<u>Accumulated Depreciation</u>				
Buildings and Building Improvements	160,954,149	16,147,688	-	177,101,837
Other Real Estate Improvements	<u>8,650,206</u>	<u>1,147,951</u>	<u>-</u>	<u>9,798,157</u>
Total Buildings & Other Real Estate Improvements	169,604,355	17,295,639	-	186,899,994
Library Books	10,119,909	421,793	(197,866)	10,343,836
Furniture, Machinery, Vehicles & Other	<u>72,628,028</u>	<u>7,565,050</u>	<u>(872,597)</u>	<u>79,320,481</u>
Total Accumulated Depreciation	<u>252,352,292</u>	<u>25,282,482</u>	<u>(1,070,463)</u>	<u>276,564,311</u>
Net Capital Assets	<u>\$ 902,057,837</u>	<u>\$ 94,181,123</u>	<u>\$ (40,774,801)</u>	<u>\$ 955,464,160</u>

Capital assets activity for the year ended August 31, 2018 was as follows:

	Balance August 31, 2017	Increase	Decrease	Balance August 31, 2018
<u>Not Depreciated</u>				
Land	\$ 86,978,392	\$ -	\$ -	\$ 86,978,392
Construction-in-Progress	90,961,623	42,336,980	(85,606,035)	47,692,568
Subtotal	<u>177,940,015</u>	<u>42,336,980</u>	<u>(85,606,035)</u>	<u>134,670,960</u>
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	757,284,645	87,014,744	-	844,299,389
Other Real Estate Improvements	<u>56,191,451</u>	<u>6,005,007</u>	<u>-</u>	<u>62,196,458</u>
Total Buildings & Other Real Estate Improvements	813,476,096	93,019,751	-	906,495,848
Library Books	13,553,703	346,499	(843,057)	13,057,144
Furniture, Machinery, Vehicles & Other	92,257,387	11,667,489	(3,738,698)	100,186,178
Total Buildings and Other Capital Assets	<u>919,287,186</u>	<u>105,033,739</u>	<u>(4,581,755)</u>	<u>1,019,739,170</u>
<u>Accumulated Depreciation</u>				
Buildings and Building Improvements	146,768,846	14,185,303	-	160,954,149
Other Real Estate Improvements	<u>7,598,789</u>	<u>1,051,417</u>	<u>-</u>	<u>8,650,206</u>
Total Buildings & Other Real Estate Improvements	154,367,635	15,236,720	-	169,604,355
Library Books	10,522,378	440,588	(843,057)	10,119,909
Furniture, Machinery, Vehicles & Other	<u>69,556,032</u>	<u>7,093,166</u>	<u>(4,021,169)</u>	<u>72,628,028</u>
Total Accumulated Depreciation	<u>234,446,045</u>	<u>22,770,474</u>	<u>(4,864,226)</u>	<u>252,352,292</u>
Net Capital Assets	<u>\$ 862,781,156</u>	<u>\$ 124,600,245</u>	<u>\$ (85,323,564)</u>	<u>\$ 902,057,837</u>

6. NON-CURRENT LIABILITIES

Non-Current Liability activity for the fiscal year ended August 31, 2019 was as follows:

	Balance August 31, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
Bonds					
General Obligation bonds	\$ 594,070,000	\$ -	\$ (30,115,000)	\$ 563,955,000	\$ 34,220,000
Revenue bonds	84,520,000	-	(1,590,000)	82,930,000	1,620,000
Maintenance Tax Note bonds	19,480,000	-	(1,840,000)	17,640,000	1,950,000
Unamortized bond premium	72,470,980	-	(9,283,251)	63,187,729	8,653,378
Subtotal	770,540,980	-	(42,828,251)	727,712,729	46,443,378
Accrued compensable absences	10,551,854	6,953,793	(6,730,288)	10,775,359	6,179,946
Net pension liability	54,472,950	59,963,984	(6,599,920)	107,837,014	-
Net OPEB liability	82,036,384	122,515,533	(41,200,000)	163,351,917	2,402,877
Local governmental liability	16,562,151	14,062,719	(14,114,672)	16,510,198	-
Accounts payable and accrued liabilities	-	8,123,907	-	8,123,907	1,592,609
Total non-current liabilities	\$ 934,164,319	\$ 211,619,936	\$ (111,473,131)	\$ 1,034,311,124	\$ 56,618,810

Non-Current Liability activity for the fiscal year ended August 31, 2018 was as follows:

	Balance August 31, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Bonds					
General Obligation bonds	\$ 620,695,000	\$ -	\$ (26,625,000)	\$ 594,070,000	\$ 30,115,000
Revenue bonds	86,305,000	-	(1,785,000)	84,520,000	1,590,000
Maintenance Tax Note bonds	21,215,000	-	(1,735,000)	19,480,000	1,840,000
Unamortized bond premium	82,247,046	-	(9,776,066)	72,470,980	9,714,576
Subtotal	810,462,046	-	(39,921,066)	770,540,980	43,259,576
Accrued compensable absences	9,521,462	2,045,821	(1,015,429)	10,551,854	5,794,549
Net pension liability	62,494,141	7,839,789	(15,860,980)	54,472,950	-
Net OPEB liability	98,016,036	10,909,155	(26,888,807)	82,036,384	416,261
Local governmental liability	16,310,263	271,636	(19,748)	16,562,151	-
Accounts payable and accrued liabilities	13,857,513	-	(13,857,513)	-	-
Total non-current liabilities	\$ 1,010,661,461	\$ 21,066,401	\$ (97,563,543)	\$ 934,164,319	\$ 49,470,386

Debt Obligations

Debt service requirements by type of bond at August 31, 2019 were as follows:

For the Year Ended August 31,	General Obligation Bonds		Revenue Bonds		Maintenance Tax Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 34,220,000	\$ 26,080,600	\$ 1,620,000	\$ 3,816,381	\$ 1,950,000	\$ 791,425
2021	26,200,000	24,046,700	1,685,000	3,747,869	2,065,000	705,963
2022	28,130,000	22,756,888	1,750,000	3,677,469	2,175,000	616,000
2023	26,705,000	21,444,387	1,820,000	3,606,194	2,060,000	521,000
2024	28,240,000	20,101,575	1,705,000	3,537,813	2,175,000	415,125
2025 - 2029	115,610,000	82,594,625	16,095,000	16,512,016	7,215,000	552,625
2030 - 2034	122,265,000	56,708,575	25,455,000	10,544,625	-	-
2035 - 2039	86,480,000	31,367,250	19,230,000	5,636,238	-	-
2040 - 2044	71,905,000	13,380,175	13,570,000	1,399,500	-	-
2045 - 2046	24,200,000	1,113,100	-	-	-	-
Sub Total	\$ 563,955,000	\$ 299,593,875	\$ 82,930,000	\$ 52,478,105	\$ 17,640,000	\$ 3,602,138
Net Premium	55,198,231	-	6,024,923	-	1,964,575	-
Total	\$ 619,153,231	\$ 299,593,875	\$ 88,954,923	\$ 52,478,105	\$ 19,604,575	\$ 3,602,138

Debt service principal and interest requirements for all the bonds at August 31, 2019 were as follows:

For the Year Ended August 31,	Principal	Interest	Total
2020	\$ 37,790,000	\$ 30,688,406	\$ 68,478,406
2021	29,950,000	28,500,532	58,450,532
2022	32,055,000	27,050,357	59,105,357
2023	30,585,000	25,571,581	56,156,581
2024	32,120,000	24,054,513	56,174,513
2025 - 2029	138,920,000	99,659,266	238,579,266
2030 - 2034	147,720,000	67,253,200	214,973,200
2035 - 2039	105,710,000	37,003,488	142,713,488
2040 - 2044	85,475,000	14,779,675	100,254,675
2045 - 2046	24,200,000	1,113,100	25,313,100
	\$ 664,525,000	\$ 355,674,118	\$ 1,020,199,118
Net Premium	63,187,729	-	63,187,729
Total	\$ 727,712,729	\$ 355,674,118	\$ 1,083,386,847

7. BONDS PAYABLE

General information related to bonds payable is summarized below:

Series	Purpose	Issue Date	Original Issue Amount	Repayment Source	Amount Outstanding	
					8/31/2019	8/31/2018
2008 GO	Construction, Equip, Site Acquisition	9/10/2008	\$ 149,780,000	Ad Valorem Tax	\$ 20,000,000	\$ 23,540,000
2009 GO	Construction, Equip, Site Acquisition	9/16/2009	144,520,000	Ad Valorem Tax	5,260,000	8,580,000
2010A GO	Construction, Equip, Site Acquisition	6/17/2010	110,625,000	Ad Valorem Tax	17,900,000	37,100,000
2011 GO REF	Refunding	10/5/2011	25,305,000	Ad Valorem Tax	23,450,000	24,365,000
2012 GO REF	Refunding	6/14/2012	21,420,000	Ad Valorem Tax	6,545,000	7,495,000
2015A GO	Construction, Equip, Site Acquisition	4/29/2015	134,870,000	Ad Valorem Tax	134,870,000	134,870,000
2015B GO REF	Refunding	4/29/2015	97,455,000	Ad Valorem Tax	97,455,000	97,455,000
2016 GO REF	Refunding	8/10/2016	133,250,000	Ad Valorem Tax	133,250,000	133,250,000
2017A GO	Construction, Equip, Site Acquisition	2/16/2017	133,015,000	Ad Valorem Tax	125,225,000	127,415,000
Total General Obligation					\$ 563,955,000	\$ 594,070,000
2011 REV REF	Refunding	10/5/2011	7,980,000	Pledged Revenue	\$ 3,800,000	\$ 4,360,000
2012 REV REF	Refunding	6/14/2012	8,155,000	Pledged Revenue	2,665,000	3,045,000
2013 REV	Construction, Equip, Site Acquisition	10/17/2013	58,145,000	Pledged Revenue	39,205,000	39,205,000
2016 REV REF	Refunding	8/10/2016	37,910,000	Pledged Revenue	37,260,000	37,910,000
Total Revenue					\$ 82,930,000	\$ 84,520,000
2009 MTN	Construction for Energy Conservation	12/3/2009	30,740,000	Ad Valorem Tax	\$ 6,190,000	\$ 8,030,000
2016 MTN REF	Refunding	8/10/2016	11,450,000	Ad Valorem Tax	11,450,000	11,450,000
Total Tax Maintenance Note					\$ 17,640,000	\$ 19,480,000

General Obligation Bonds:

- Limited Tax General Obligation Bonds, Series 2017A
 - Construction and equipment of buildings and to purchase sites
 - Issued February 16, 2017; the second tranche of GO bonds approved by the voters in the Nov 2014 \$485 million bond election
 - Total authorized \$133,015,000; all authorized have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$125,225,000 and \$127,415,000, respectively.
 - Bonds payable installments vary from \$2,190,000 to \$7,940,000, with interest rates from 3.00% to 5.00%, and with the final installment due in 2046.

- Limited Tax General Obligation Refunding Bonds, Series 2016
 - Refund a portion of Series 2008 and 2009
 - Issued August 10, 2016
 - Total authorized \$133,250,000; all authorized have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$133,250,000 and \$133,250,000, respectively.
 - Principal payments begin 2021
 - Bonds payable installments vary from \$2,200,000 to \$16,270,000, with interest rates from 4.00% to 5.00%, and with the final installment due in 2038.

- Limited Tax General Obligation Bonds, Series 2015A
 - Construction and equipment of buildings and to purchase sites
 - Issued April 29, 2015; the first tranche of GO bonds approved by the voters in the Nov 2014 \$485 million bond election
 - Total authorized \$134,870,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$134,870,000 and \$134,870,000, respectively.
 - Principal payments begin 2020
 - Bonds payable installments vary from \$2,820,000 to \$8,625,000, with interest rates from 2.50% to 5.00%, and with the final installment due in 2045.

Bonds Payable (Continued)

- Limited Tax General Obligation Refunding Bonds, Series 2015B
 - Refund all or a portion of Series 2003, 2005A Ref, 2008, 2009 and 2010A
 - Issued April 29, 2015
 - Total authorized \$97,455,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$97,455,000 and \$97,455,000, respectively.
 - Principal payments begin 2020
 - Bonds payable installments vary from \$2,090,000 to \$19,280,000, with interest rates from 3.92% to 5.00%, and with the final installment due in 2027.
- Limited Tax General Obligation Refunding Bonds, Series 2012
 - Refund the remaining of Series 2002 and a portion of Series 2003
 - Issued June 14, 2012
 - Total authorized \$21,420,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$6,545,000 and \$7,495,000, respectively.
 - Bonds payable installments vary from \$460,000 to \$1,235,000, with interest rates from 3.00% to 5.00%, and with the final installment due in 2028.
- Limited Tax General Obligation Refunding Bonds, Series 2011
 - Refund a portion of Series 2002
 - Issued October 5, 2011
 - Total authorized \$25,305,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$23,450,000 and \$24,365,000, respectively.
 - Bonds payable installments vary from \$915,000 to \$4,565,000, with interest rates from 3.00% to 5.00%, and with the final installment due in 2027.
- Limited Tax General Obligation Bonds, Series 2010A
 - Construction and equipment of buildings including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
 - Issued June 17, 2010
 - Total authorized \$110,625,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$17,900,000 and \$37,100,000, respectively.
 - Bonds payable installments vary from \$3,240,000 to \$19,200,000, with interest rates from 3.46% to 5.00%, and with the final installment due in 2020.

- Limited Tax General Obligation Bonds, Series 2009
 - Construction and equipment of buildings, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
 - Issued September 16, 2009
 - Total authorized \$144,520,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$5,260,000 and \$8,580,000, respectively.
 - Bonds payable installments vary from \$3,320,000 to \$5,260,000, with interest rates from 3.83% to 5.00%, and with the final installment due in 2020.

- Limited Tax General Obligation Bonds, Series 2008
 - Construction and equipment of buildings, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements and technology infrastructure, and acquisition of sites.
 - Issued September 10, 2008
 - Total authorized \$149,780,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$20,000,000 and \$23,540,000, respectively.
 - Bonds payable installments vary from \$3,210,000 to \$7,825,000, with interest rates at 5.00%, and with the final installment due in 2036.

Bonds Payable (Continued)

Revenue Bonds:

- Revenue Financing Refunding Bonds, Series 2016
 - Refund the remaining of Series 2007 and 2012B Bonds
 - Issued August 10, 2016
 - Total authorized \$37,910,000, all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$37,260,000 and \$37,910,000, respectively.
 - Principal payments to begin 2019
 - Bonds payable installments vary from \$650,000 to \$5,625,000, with interest rates at 3.25% to 5.00%, and with the final installment due in 2038.

- Revenue Financing Bonds, Series 2013
 - Acquire, construct, improve, equip and maintain buildings, property, and facilities.
 - Issued October 17, 2013
 - Total authorized \$58,145,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$39,205,000 and \$39,205,000, respectively.
 - Principal payments to begin 2029
 - Bonds payable installments vary from \$1,335,000 to \$3,650,000, with interest rates from 4.00% to 5.00%, and with the final installment due in 2043.

- Revenue Financing Refunding Bonds, Series 2012
 - Refund a portion of Series 2003 and Series 2003A Bonds
 - Issued June 14, 2012
 - Total authorized \$8,155,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$2,665,000 and \$3,045,000, respectively.
 - Bonds payable installments vary from \$210,000 to \$1,245,000, with interest rates from 3.00% to 4.00%, and with the final installment due in 2028.

- Revenue Financing Refunding Bonds, Series 2011
 - Refund the remaining of Series 2000
 - Issued October 5, 2011
 - Total authorized \$7,980,000; all authorized bonds have been issued
 - Source of revenue for debt service is tuition and general fees
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$3,800,000 and \$4,360,000, respectively.
 - Bonds payable installments vary from \$535,000 to \$675,000, with interest rates from 2.00% to 4.00%, and with the final installment due in 2025.

Maintenance Tax Notes:

- Maintenance Tax Refunding Bonds, Series 2016
 - Refund a portion of Series 2009
 - Issued August 10, 2016
 - Total authorized \$11,450,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$11,450,000 and \$11,450,000, respectively.
 - Principal payments begin 2022
 - Bonds payable installments vary from \$2,060,000 to \$2,520,000, with interest rates at 5.00%, and with the final installment due in 2026.

- Maintenance Tax Note, Series 2009
 - Acquire, finance, install, renovate, and rehabilitate certain facilities for the purpose of energy conservation, mechanical upgrades and projects.
 - Issued December 3, 2009
 - Total authorized \$30,740,000; all authorized bonds have been issued
 - Source of revenue for debt service is ad valorem taxes
 - Outstanding principal balance as of August 31, 2019 and 2018 is \$6,190,000 and \$8,030,000, respectively.
 - Bonds payable installments vary from \$1,625,000 to \$2,175,000, with interest rates from 3.25% to 4.50%, and with the final installment due in 2021.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. There was no positive arbitrage rebate liability for the bonds with installment calculations due within Fiscal Years 2019 and 2018.

Pledged Revenue

The revenue pledged as security for the life of the revenue bond debt service includes a portion of tuition and fees, investment income and auxiliary revenues. The bond covenants require the pledge of tuition, allowable by state law, and other revenue sources to maintain a minimum debt service coverage ratio of 1.25. The pledged revenues amounted to \$78,738,415 and \$77,212,821 for the years ended August 31, 2019 and 2018, respectively, and equates to 68.94% and 69.09% of total tuition and fee revenues for those respective years. Debt service on the revenue bonds was \$5,474,944 and \$5,719,694 for the years ended August 31, 2019 and 2018, and the debt service coverage ratio was 14.38 and 13.50, respectively. Revenue bonds are payable in annual installments varying from \$1,190,000 to \$7,650,000 with interest rates from 2.50% to 5.00% and the final installment due in 2043. The College is in compliance with all bond covenants for the years ended August 31, 2019 and 2018.

8. ISSUED, REFUNDED & DEFEASED BONDS OUTSTANDING

FY 2018 and FY 2019 BONDS ISSUED

The College did not issue, refund, or defease any bonds during fiscal years 2018 and 2019.

FY 2017 BONDS ISSUED

On February 16, 2017 the College issued \$133,015,000 of Limited Tax General Obligation Bonds. The Series 2017A Limited GO Bonds consisted solely of General Obligation Bonds with a premium of \$18,178,650. The bonds mature serially through 8/14/2038 with term bonds maturing 8/15/2046. Interest rates on the bonds range from 3.00% to 5.00%. After payment of \$726,223 in underwriter's discount and cost of issuance expense of \$467,000, the bond proceeds amounted to \$151,193,650.

The bonds have an average interest rate of 4.65%. The total debt service payments of the bonds are \$246,058,495. The maximum annual debt service is \$8,702,145 with an average annual debt service of \$8,341,751.

FY 2016 REFUNDING BONDS

On August 10, 2016 the College issued \$133,250,000 of Limited Tax General Obligation Refunding Bonds, \$37,910,000 of Revenue Financing Refunding Bonds, and \$11,450,000 of Maintenance Tax Refunding Bonds.

\$133,250,000 Limited Tax General Obligation Refunding Bonds

The Series 2016 GO Refunding Bonds consisted solely of Refunding Bonds with a reoffering premium of \$24,794,721. The bonds mature serially through 02/15/2034 with term bonds maturing 2/15/2038. Interest rates on the refunding bonds range from 4.00% to 5.00%. After payment of \$582,399 in underwriter's discount and cost of issuance expense of \$438,671, the net refunding proceeds were applied to refund \$142,230,000, a portion of the following outstanding bonds:

Limited Tax General Obligation Bonds, Series 2008 (\$58,990,000)
Limited Tax General Obligation Bonds, Series 2009 (\$83,240,000)

The net refunded bonds had an average interest rate of 5.00%. The aggregate debt service payments of the refunding bonds of \$217,783,811 is \$31,685,189 less than the aggregate debt service payments of the refunded bonds of \$249,469,000. The net present value of the savings, adjusted for cash paid out for the refunding transaction, is \$23,463,355. The accounting loss that resulted from the bond refunding is \$17,886,391 and is being amortized over the life of the new debt using the straight line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2016.

\$37,910,000 Revenue Financing System Refunding Bonds

The Series 2016 Revenue Refunding Bonds consisted solely of Refunding Bonds with a reoffering premium of \$7,455,584. The bonds mature serially through 08/15/2038. Interest rates on the bonds range from 3.25% to 5.00%. After payment of \$167,707 in underwriter's discount and cost of issuance expense of \$235,425, the net refunding proceeds were applied to refund \$43,385,000, in part or in whole, of the following outstanding bonds:

Revenue Financing System Bonds, Series 2007 (\$23,100,000)
Variable Rate Revenue Financing System Bonds, Series 2012B 1&2 (\$20,285,000)

The net refunded bonds have an average interest rate of 5.47%. The aggregate debt service payments of the refunding bonds of \$61,187,307 is \$13,055,415 less than the aggregate debt service payments of the refunded bonds (\$74,242,722). The net present value of the savings, adjusted for cash paid out for the refunding transaction, is \$11,574,326. The accounting loss that resulted

from the bond refunding is \$1,492,393 and is being amortized over the life of the new debt using the straight line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2016.

\$11,450,000 Maintenance Tax Refunding Bonds

The Series 2016 Maintenance Refunding Bonds consisted solely of Refunding Bonds with a reoffering premium of \$3,103,737. The bonds mature serially through 09/15/2026. Interest rates on the bonds are 5.00%. After payment of \$47,841 in underwriter's discount and cost of issuance expense of \$99,864, the net refunding proceeds were applied to refund \$12,650,000, a portion of the following outstanding bond:

Maintenance Tax Notes, Series 2009 (\$12,650,000)

The net refunded bonds have an average interest rate of 4.85%. The aggregate debt service payments of the refunding bonds of \$16,143,160 are \$1,779,728 less than the aggregate debt service payments of the refunded bonds of \$17,922,888. The net present value of the savings for the refunding transaction is \$1,622,544. The accounting loss that resulted from the bond refunding is \$1,213,055 and is being amortized over the life of the new debt using the straight line method. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The refunded bonds are considered defeased and the liability for those bonds was removed from the College's liabilities in fiscal year 2016.

2014 VOTER AUTHORIZED BONDS

On November 4, 2014 the voters authorized Lone Star College to issue \$485 million of General Obligation Bonds for the College's capital program. The first \$150 million was issued on 4/29/2015, Series 2015A. Series 2017A was issued on 2/16/2017 for \$150 million and was the second issue of the \$485 million authorization. The balance of \$185 million remains to be issued at a later date.

DEFEASED BONDS

In FY 2019, Limited Tax General Obligation Bonds, Series 2009, refunded 2015 and 2016, were called or matured, resulting in an outstanding balance of \$0.

In FY 2018, Limited Tax General Obligation Bonds, Series 2008, refunded 2015 and 2016, were called or matured, resulting in an outstanding balance of \$0.

In FY 2017, Limited Tax General Obligation Bond, Series 2010A, Revenue Financing Bonds, Series 2007 and 2012, were called or matured, resulting in an outstanding balance of \$0.

In FY 2016, the College defeased a portion of a Revenue Financing System Refunding Bond, Series 2012, Revenue Financing System Bond, Series 2013, and Limited Tax General Obligation Bond, Series 2010A.

Revenue Financing System Refunding Bond, Series 2012 and Revenue Financing System Bond, Series 2013 were redeemed July 28, 2016 for the total amount of \$17,925,000. The Series 2012 partial defeasance consisted of \$825,000 in par value with an original maturity of 2/15/17 and an interest rate of 4.00%. The series 2013 partial defeasance consisted of \$17,100,000 in par value with original serial maturities through 2/15/2029 and with an interest rate range from 3.50% - 5.00%. Limited Tax General Obligation Bond, Series 2010A was redeemed August 10, 2016 for the total amount of \$11,210,000. The original maturity was 8/15/17 with an interest rate of 5.00%.

DEFEASED BONDS OUTSTANDING

The liability for the bonds below does not appear on the College’s financial statement as of August 31, 2019 as these bonds are considered legally defeased.

Bond Issue	Year Refunded	Par Value Outstanding	Call Date/Final Maturity Date
Revenue Financing Bond, Series 2013	2016	\$13,810,000	2/15/2021
Maintenance Tax Notes, Series 2009	2016	\$12,650,000	9/15/2019

9. OPERATING LEASES

The College is a lessee for certain of its educational facilities, offices and other equipment from third parties. Rent expense for the years ended August 31, 2019 and 2018 are \$1,558,151 and \$1,143,543 respectively. Future minimum lease payments include a 10% increase on known equipment leases that will escalate based off of Fiscal Year 2020 for years 2021 through 2023. Future lease payments are as follows:

For the Year Ended	
<u>August 31,</u>	<u>Total</u>
2020	\$ 1,387,289
2021	1,753,816
2022	1,612,756
2023	1,213,199
2024	1,002,000
2025-2029	4,866,000
2030-2034	4,770,000
2035	954,000
Total future minimum lease payments	<u>\$ 19,117,211</u>

10. EMPLOYEES' RETIREMENT PLANS

The state of Texas has joint contributory retirement plans for almost all its employees. Within the first 90 days of employment, higher education employees make an irrevocable choice to be covered by either the Teacher Retirement System (TRS) or the Optional Retirement Plan (ORP).

Teacher Retirement System (Defined Benefit Plan)

A. Plan Description

The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement age is 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	Contribution Rates	
	Plan Fiscal Year	
	2019	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
College Contributions	\$7,235,646	\$6,195,754
Member Contributions	\$12,689,279	\$11,366,461
	Measurement	Measurement
	Year 2018	Year 2017
State of Texas (NECE) On-behalf Contributions	\$3,581,068	\$ 4,291,461

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

F. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized on the next page:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018

	Target Allocation ¹	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns ²
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag			-0.79%
Total	100.00%		7.25%

¹Target allocations are based on the FY 2016 policy model.

²The Expected Contribution to Long-Term Portfolio Returns incorporated the volatility drag resulting from the conversion between arithmetic and geometric means returns.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 net pension liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
College's proportionate share of the net pension liability:	\$ 162,751,911	\$ 107,837,014	\$ 63,380,146

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2019, the College reported a liability of \$107,837,014 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

The College's Proportionate share of the collective net pension liability	\$ 107,837,014
State's proportionate share that is associated with the College	<u>58,548,008</u>
Total	<u>\$ 166,385,022</u>

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .1959161666% which was an increase of .0255530428% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed to 6.907 percent as of August 31, 2018 from 8.0 percent as of August 31, 2017.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2019, the College recognized pension expense of \$5,794,692, and revenue of \$5,794,692, for support provided by the State.

At August 31, 2019, the College reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 672,167	\$ 2,645,894
Changes in actuarial assumptions	38,880,437	1,215,015
Differences between projected and actual investment earnings	-	2,046,130
Changes in proportion and differences between the employer's contributions	<u>11,754,082</u>	<u>4,181,753</u>
Total as of August 31, 2018 measurement date	\$ 51,306,686	\$ 10,088,792
Contributions paid to TRS subsequent to the measurement date	<u>7,235,646</u>	<u>-</u>
Total as of fiscal year end	<u>\$ 58,542,332</u>	<u>\$ 10,088,792</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2020	\$ 9,551,895
2021	5,246,002
2022	4,436,772
2023	8,866,389
2024	7,976,113
Thereafter	<u>5,140,723</u>
	<u>\$ 41,217,894</u>

Optional Retirement Plan (Defined Contribution Plan)

Plan Description. The state has also established an Optional Retirement Plan (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. The ORP provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. Benefits fully vest after one year plus one day of employment. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

<u>Optional Retirement Plan Contribution Rates</u>	<u>2019</u>	<u>2018</u>
Member Contribution	6.65%	6.65%
State Contribution	6.60%	6.60%
College Contribution for Participants Enrolled Prior to September 1, 1995	1.90%	1.90%

Retirement Plan Expense

Below is a summary of ORP retirement plan expense for fiscal years ended August 31, 2019 and 2018.

<u>ORP Retirement Plan Expense</u>	<u>2019</u>	<u>2018</u>
Actual cost of ORP Retirement Benefits	\$ 3,210,640	\$ 3,226,010
College Contribution for ORP Retirement Benefits	2,148,382	2,189,598
State Legislative Appropriation Expended for ORP	1,062,258	1,076,412

11. COMPENSABLE ABSENCES

Full-time non-faculty employees on a twelve month work schedule are eligible for paid annual leave. Eligible employees accrue vacation leave at different rates depending on their length of service and position. Accrual rates range from 8 hours per month to 13.33 hours per month. The College's policy is to allow employees to carry their accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours accrued equal to 400 hours. Eligible employees are entitled to payment for all accumulated annual leave up to the maximum allowed at the time employment with the College is terminated. The College recognizes an accrued liability for the unpaid compensated absences in the amounts of \$10,775,359 and \$10,551,854 for the fiscal years ended August 31, 2019 and 2018, respectively.

Sick leave, which is accumulated to a maximum of 600 hours, is earned at the rate of 8 hours per month. Full time employees eligible to participate in the sick leave plan are those who work a 12 month schedule and who work at least 20 hours per week. It is paid to an employee who misses work due to illness. The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements because employees are not compensated upon termination for accrued sick leave balances.

12. COMMITMENTS AND CONTINGENCIES

On August 31, 2019, various lawsuits and claims involving the College were pending. The ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time. This liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

The Department of Education (“DOE”) conducted a program review of the College’s administration of programs authorized by Title IV of the Higher Education Act for award years that spanned from July 1, 2012 through June 30, 2016, which resulted in the identification of instances of noncompliance with certain program requirements. At the request of the Department of Education in conjunction with this program review, during the year ended August 31, 2017, the College conducted an internal review of such noncompliance. This review identified potentially ineligible disbursements during the period under review aggregating to \$13,465,367. In a letter dated October 23, 2018, the Department of Education communicated its final determination that the College is obligated to repay this amount along with \$392,146 in interest, resulting in a total liability of \$13,857,513. The College’s management reviewed the DOE findings included in the final program review determination and found evidence and documentation that supports a lower amount of ineligible disbursements; and, accordingly, the College appealed the determination. The amount of \$13,857,513 was the estimated contingency recorded as a liability at August 31, 2018; the final amount of the settlement was \$9,026,563. A payment of \$902,656 towards the liability was made in fiscal year 2019. The remaining \$8,123,907 is payable in five equal annual installments of \$1,673,848, including interest at 1.0%, beginning on May 1, 2020. The outstanding liability at August 31, 2019 is divided between current and noncurrent liabilities as follows: \$1,592,609 and \$6,531,298, respectively. The adjustment of \$4,830,950 to reduce the liability as originally estimated to the final settled amount was recorded as a change in estimate during the year ended August 31, 2019, with such amount reflected as a reduction of Unrestricted Institutional Support expenses.

13. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2019 and 2018 were as follows:

	August 31	
	2019	2018
Student Receivables	\$21,588,612	\$20,120,328
Taxes Receivable	6,430,958	6,237,942
Federal Receivable	10,966,950	1,053,189
Accounts Receivable	2,378,602	5,129,467
Interest Receivable	144,582	85,668
Other Receivables	2,404,018	897,656
Subtotal	43,913,722	33,524,250
Allowance for Doubtful Accounts	(11,363,641)	(8,203,312)
Total Accounts Receivable, Net	\$32,550,081	\$25,320,938

Payables at August 31, 2019 and 2018 were as follows:

	August 31	
	2019	2018
Vendors Payable	\$44,651,801	\$46,453,074
Salaries and Benefits Payable	2,371,063	4,183,254
Students Payable	605,377	1,203,295
Accrued Interest	1,626,741	1,721,745
Other Payables	5,847,064	8,382,662
Total Accounts Payable and Accrued Liabilities	\$55,102,046	\$61,944,029

14. FEDERAL AND STATE CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are disclosed on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported within Accounts Receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2019 and 2018 for which monies have not been received nor funds expended totaled \$64,184,253 and \$61,690,996, respectively. Of these amounts, \$58,693,847 and \$56,601,509 were from Federal Contract and Grant Awards; \$5,490,405 and \$5,089,487 were from State Contract and Grant Awards for the fiscal years ended 2019 and 2018, respectively.

15. RISK MANAGEMENT

The College is exposed to various risks of loss related to property damage, personal injury, professional errors and omissions and natural disasters. Significant losses for these risks are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the past three years. The College did not maintain or operate a self-insured insurance plan during the years ended August 31, 2019 and 2018.

16. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums.

State/Employer Contribution for Health Care Insurance (includes basic life insurance rate)

HealthSelect of Texas Plan	2019 State/Employer Contribution	2019 Annualized Contribution	2018 State/Employer Contribution	2018 Annualized Contribution
Member Only	\$624.82	\$7,497.84	\$621.90	\$7,462.80

The cost of retirees and active employees' health care is provided:

<u>Cost of Providing Health Care Insurance</u>	<u>2019</u>	<u>2018</u>
Number of Retirees	546	519
Cost of Health Benefits for Retirees	\$22,739,517	\$4,417,143
Number of Active Full Time Employees	2,900	2,924
Cost of Health Benefits for Active Full Time Employees	\$25,887,900	\$24,864,459
State Appropriation for Health Insurance	\$13,086,617	\$12,516,615
College Expense	\$35,540,801	\$16,764,987

17. AD VALOREM TAX

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the System's taxing jurisdiction. The College's taxable values at August 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Assessed Valuation of the College	\$ 211,742,223,676	\$ 204,014,743,316
Less: Exemptions	(16,877,577,975)	(15,813,061,393)
Net Assessed Valuation of the College	<u>\$ 194,864,645,701</u>	<u>\$ 188,201,681,923</u>

Tax rates for the years ending August 31, 2019 and 2018 are as follows:

	<u>2019</u>			<u>2018</u>		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation	\$0.3000	\$0.5000	\$0.8000	\$0.3000	\$0.5000	\$0.8000
Assessed Tax Rate per \$100 valuation	\$0.0800	\$0.0278	\$0.1078	\$0.0800	\$0.0278	\$0.1078

Taxes levied for the years ended August 31, 2019 and 2018 were approximately \$206,509,338 and \$199,370,619, respectively, including any penalty and interest assessed, if applicable. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed, and are subject to penalties and interest.

Taxes collected for the years ended August 31, 2019 and 2018 are as follow:

	<u>2019</u>			<u>2018</u>		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes	\$ 152,345,435	\$ 52,941,418	\$ 205,286,853	\$ 146,622,168	\$ 50,952,739	\$ 197,574,907
Delinquent Taxes	363,684	149,935	513,619	427,775	175,376	603,151
Penalties & Interest	1,494,819	538,096	2,032,915	1,639,444	599,118	2,238,562
Total Gross Collections	<u>\$ 154,203,938</u>	<u>\$ 53,629,449</u>	<u>\$ 207,833,388</u>	<u>\$ 148,689,387</u>	<u>\$ 51,727,233</u>	<u>\$ 200,416,620</u>
Tax Appraisal & Collection Fees	(1,705,294)	(596,786)	(2,302,080)	(1,736,413)	(615,205)	(2,351,618)
Total Net Collections	<u>\$ 152,498,644</u>	<u>\$ 53,032,663</u>	<u>\$ 205,531,308</u>	<u>\$ 146,952,974</u>	<u>\$ 51,112,028</u>	<u>\$ 198,065,002</u>

Tax collections for the years ended August 31, 2019 and 2018 were 99.41% and 99.10%, respectively, of the current year's tax levy. The use of tax proceeds is restricted for the use of maintenance and operations and/or general obligation debt service.

18. INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, etc. Organizations*. The College had no material unrelated business income tax liability for the years ended August 31, 2019 or 2018.

19. COMPONENT UNIT

Lone Star College Foundation (the Foundation) was established as a separate nonprofit organization in 1991 for the purpose of providing student scholarships and to support academic and workforce programs for the College. Under Governmental Accounting Standards Board Statement (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units – An Amendment of GASB Statement No. 14*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation's financial statements are included in the College's comprehensive annual financial report as a discretely presented component unit as Exhibit 1A – Statements of Financial Position and Exhibit 2A – Statements of Activities for the fiscal years ended August 31, 2019 and 2018.

For complete financial information about the Lone Star College Foundation, please contact the Foundation at:

Lone Star College Foundation, 5000 Research Forest, The Woodlands, TX 77381 or visit their website at: <http://www.lonestar.edu/giving/index.htm>

20. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

(In accordance with GASB Statement No. 75)

A. Plan Description

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain post-employment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

B. OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

C. Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

D. Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

**Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2018**

Retiree only	\$	621.90
Retiree & Spouse	\$	1,334.54
Retiree & Children	\$	1,099.06
Retiree & Family	\$	1,811.70

Contributions of premiums to the GBP plan for the current year by source is summarized in the following table.

**Premium Contributions by Source
Group Benefits Program Plan
For the Fiscal Year Ended August 31, 2019**

Employer Contributions	\$	2,551,829
Member Contributions	\$	-
2018 measurement year NECE on-behalf contributions	\$	12,633,647

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions ERS Group Benefits Program Plan	
Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Projected Annual Salary Increase (includes inflation)	2.5% to 9.5%
Inflation Assumption Rate	2.50%
Mortality Rate	<ul style="list-style-type: none"> • Service Retirees, Survivors and other Inactive Members - Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018. • Disability Retirees - Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. • Active Members - Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

F. Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

G. Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp’s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

H. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.96%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.96%)	Discount Rate (3.96%)	1% Increase in Discount Rate (4.96%)
College’s proportionate share of the net OPEB liability:	\$ 193,936,755	\$ 163,351,917	\$ 140,202,667

I. Healthcare Cost Trend Rates Sensitivity Analysis

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact on the College proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used in measuring the net OPEB Liability.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College’s proportionate share of the net OPEB liability	\$ 138,337,977	\$ 163,351,917	\$ 195,620,003

J. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2019, the College reported a liability of \$163,351,917 for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized

by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

The College’s Proportionate share of the collective net OPEB liability	\$ 163,351,917
State’s proportionate share that is associated with the College	<u>128,894,334</u>
Total	<u>\$ 292,246,251</u>

The net OPEB liability was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017, thru August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective net OPEB liability was 0.55116181% which was an increase of 0.31039535% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the College recognized a reduction of OPEB expense of \$766,227 and revenue of \$766,227 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on ERS’s short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary

These minor benefit changes have been reflected in the fiscal year 2019 Assumed Per Capita Health Benefit Costs.

at August 31, 2019, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experiences	\$ -	\$ 5,984,688
Changes in actuarial assumptions	-	57,242,977
Differences between projected and actual investment earnings	77,356	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>106,057,933</u>	-
Total as of August 31, 2018 measurement date	\$ 106,135,289	\$ 63,227,665
Contributions paid to ERS subsequent to the measurement date	<u>2,551,829</u>	-
Total as of fiscal year end	<u>\$ 108,687,118</u>	<u>\$ 63,227,665</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2020	\$ 6,975,409
2021	6,975,409
2022	6,975,409
2023	12,198,633
2024	<u>9,782,764</u>
	<u>\$ 42,907,624</u>

21. ALDINE ISD EARLY COLLEGE HIGH SCHOOL

The College’s Board of Trustees approved an interlocal agreement at their meeting in September 2016 between the College and Aldine ISD (“AISD”). AISD proposed building its MacArthur Early College Facility on the site of the College’s East Aldine Satellite Center. The AISD facility is 45,563 square feet and is being constructed as a separate, controlled access wing of the College’s building, with a shared utility infrastructure. AISD deposited \$16.5 million of funds in an escrow account with the College, as prescribed by the interlocal agreement. These escrowed funds are used to pay for costs related to this facility upon approval by AISD. The College’s liability to AISD is reflected as “local government liability” on the accompanying Statements of Net Position. This agreement has no impact on the Net Position of the College.



Required Supplementary Information (RSI) Schedules

LONE STAR COLLEGE
SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY
Last Four Fiscal Years **

Measurement year ending August 31 *	2018 **	2017	2016	2015	2014
College's proportionate share of the net pension liability (%)	0.1959162%	0.1703631%	0.1653787%	0.1447370%	0.1819112%
College's proportionate share of net pension liability (\$)	\$ 107,837,013	\$ 54,472,950	\$ 62,494,141	\$ 51,162,603	\$ 48,590,997
State's proportionate share of net pension liability associated with the college	58,548,008	41,955,696	51,809,767	54,836,429	36,082,142
Total	\$ 166,385,021	\$ 96,428,646	\$ 114,303,908	\$ 105,999,032	\$ 84,673,139
College's covered payroll	\$ 149,612,332	\$ 144,659,771	\$ 140,070,767	\$ 131,015,965	\$ 114,391,840
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	72.08%	37.66%	44.62%	39.05%	42.48%
TRS net position as a percentage of total pension liability ***	73.74%	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered employee payroll ***	126.11%	75.93%	92.75%	91.94%	72.89%

* The amounts presented above are as of the measurement date of the collective net pension liability, which is the prior fiscal year's 8/31.

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

*** Per TRS CAFR

Notes to the Schedule of College's Share of Net Pension Liability are an integral part of this statement

LONE STAR COLLEGE
 SCHEDULE OF COLLEGE'S PENSIONS CONTRIBUTIONS
 Last Six Fiscal Years **

Fiscal year ending August 31 *	2019**	2018	2017	2016	2015	2014
Legally required contributions	\$ 7,235,646	\$ 6,195,754	\$ 5,624,823	\$ 5,320,500	\$ 4,954,156	\$ 4,021,984
Actual contributions	(7,235,646)	(6,195,754)	(5,624,823)	(5,320,500)	(4,954,156)	(4,021,984)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 164,909,264	\$ 149,612,332	\$ 144,659,771	\$ 140,070,767	\$ 131,015,965	\$ 114,391,840
Contributions as a percentage of covered payroll	4.39%	4.14%	3.89%	3.80%	3.78%	3.52%

* In accordance with GASB 68, Paragraph 138, the amounts presented above are of the College's last 6 respective fiscal years .

**The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to the Schedule of College's Contributions are an integral part of this statement

Notes to Required Supplementary Information for Pensions

Changes of Assumptions

There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in Reporting Method

During 2016, GASB clarified that their intention was for a pension plan to maintain the amortization levels by year for the plan amounts of each deferred outflow and deferred inflow and to combine all year's layers together (2014, 2015 and 2016) to arrive at a "collective" or "accumulated" total for each deferral. The total accumulated (collective) amount will be allocated proportionately to each participating employer. Since the information is calculated at the plan level, there will be no need for the participating employers to maintain an amortization schedule.

LONE STAR COLLEGE
SCHEDULE OF COLLEGE'S SHARE OF NET OPEB LIABILITY
For the Fiscal Year Ended August 31, 2019

Measurement year ending August 31 *	2018**	2017
College's proportionate share of the net OPEB liability (%)	0.5511618%	0.2407665%
College's proportionate share of net OPEB liability (\$)	\$ 163,351,917	\$ 82,036,384
State's proportionate share of net OPEB liability associated with the college	128,894,334	65,551,701
Total	\$ 292,246,251	\$ 147,588,085
College's covered payroll	\$ 92,960,220	\$ 92,588,379
College's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	175.72%	88.60%
ERS net position as a percentage of total OPEB liability ***	1.27%	2.04%

* The amounts presented above are as of the measurement date of the collective net OPEB liability, which is the prior fiscal year's 8/31.

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

*** Per ERS CAFR

Notes to the Schedule of College's Share of Net OPEB Liability are an integral part of this statement

**LONE STAR COLLEGE
SCHEDULE OF COLLEGE'S OPEB CONTRIBUTIONS
For the Fiscal Year Ended August 31, 2019**

Fiscal year ending August 31 *	2019**	2018
Legally required contributions	\$ 2,551,829	\$ 2,445,958
Actual contributions	(2,551,829)	(2,445,958)
Contributions deficiency (excess)	\$ -	\$ -
College's covered payroll	\$ 93,229,200	\$ 92,960,220
Contributions as a percentage of covered payroll	2.74%	2.63%

* In accordance with GASB 75, Paragraph 245, the amounts presented above are as of the College's last 2 respective fiscal years determined on 8/31.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to the Schedule of College's Contributions are an integral part of this statement

Notes to Required Supplementary Information for OPEB

Changes in Benefit Terms

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- an increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- elimination of the copayment for virtual visits;
- a reduction in the copayment for Airrosti; and
- for out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes in Assumptions

Demographic Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The discount rate was changed from 3.51% to 3.96% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date. Minor benefit changes have been reflected in the FY 2019 Assumed Per Capita Health Benefit Costs.



Supplementary Schedules

**LONE STAR COLLEGE
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2019 (With Memorandum Totals for the Year Ended August 31, 2018)**

	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises	2019 Total	2018 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 50,448,547	\$ -	\$ 50,448,547	\$ -	\$ 50,448,547	\$ 51,075,407
Out-of-district resident tuition	25,272,478	-	25,272,478	-	25,272,478	22,751,180
Non-resident tuition	8,970,320	-	8,970,320	-	8,970,320	8,424,186
TPEG -credit (set aside)*	(4,775,847)	-	(4,775,847)	-	(4,775,847)	(5,147,934)
State-funded continuing education	2,187,045	-	2,187,045	-	2,187,045	2,648,229
TPEG -non-credit (set aside)*	(194,156)	-	(194,156)	-	(194,156)	(211,165)
Non-state funded continuing education	3,790,026	-	3,790,026	-	3,790,026	3,674,490
Total tuition	85,698,413	-	85,698,413	-	85,698,413	83,214,393
Fees						
Registration fee	2,129,874	-	2,129,874	-	2,129,874	2,165,196
Student activity fee	2,712,023	-	2,712,023	-	2,712,023	2,752,689
Laboratory fee	1,228,593	-	1,228,593	-	1,228,593	1,240,615
Technology fee	14,892,470	-	14,892,470	-	14,892,470	15,117,542
General use fee	9,473,355	-	9,473,355	-	9,473,355	9,619,313
Distance learning fee	6,212,257	-	6,212,257	-	6,212,257	5,946,453
Infrastructure fee	2,263,960	-	2,263,960	-	2,263,960	2,340,759
Differential tuition fee	13,682,883	-	13,682,883	-	13,682,883	12,106,929
Incidental fee	54,846	-	54,846	-	54,846	56,893
Other fees	251,668	-	251,668	-	251,668	262,486
Total fees	52,901,929	-	52,901,929	-	52,901,929	51,608,875
Scholarship allowances and discounts						
Bad debt allowance	(3,152,510)	-	(3,152,510)	-	(3,152,510)	(5,015,291)
Scholarship allowances	(3,112,286)	-	(3,112,286)	-	(3,112,286)	(2,978,085)
Remissions and exemptions - state	(16,273,973)	-	(16,273,973)	-	(16,273,973)	(13,531,718)
Remissions and exemptions - local	(147,646)	-	(147,646)	-	(147,646)	(37,348)
TPEG allowances	(2,810,144)	-	(2,810,144)	-	(2,810,144)	(1,174,443)
State grants to students	(1,513,991)	-	(1,513,991)	-	(1,513,991)	(1,051,747)
Federal grants to students	(30,623,131)	-	(30,623,131)	-	(30,623,131)	(29,668,075)
Total scholarship allowances and discounts	(57,633,681)	-	(57,633,681)	-	(57,633,681)	(53,456,707)
Total net tuition and fees	80,966,660	-	80,966,660	-	80,966,660	81,366,561

SCHEDULE A (Continued)

LONE STAR COLLEGE

SCHEDULE OF OPERATING REVENUES

YEAR ENDED AUGUST 31, 2019 (With Memorandum Totals for the Year Ended August 31, 2018)

	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises	2019 Total	2018 Total
Additional operating revenues						
Federal grants and contracts	-	14,932,098	14,932,098	-	14,932,098	5,565,319
State grants and contracts	-	4,421,847	4,421,847	-	4,421,847	3,481,497
Local grants and contracts	2,123,059	1,834,916	3,957,975	-	3,957,975	4,046,979
Other operating revenue	3,071,971	35,415	3,107,386	-	3,107,386	4,317,001
Total additional operating revenues	<u>5,195,030</u>	<u>21,224,276</u>	<u>26,419,306</u>	<u>-</u>	<u>26,419,306</u>	<u>17,410,796</u>
Auxiliary enterprises						
Food service	-	-	-	619,232	619,232	588,306
Bookstore	-	-	-	1,584,757	1,584,757	1,901,186
Child care fees	-	-	-	18,683	18,683	17,185
Special events	-	-	-	271,573	271,573	321,543
Tenant related	-	-	-	6,573,701	6,573,701	6,922,968
Other	-	-	-	1,354,713	1,354,713	854,341
Total auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,422,659</u>	<u>10,422,659</u>	<u>10,605,529</u>
Total operating revenues	<u>\$ 86,161,690</u>	<u>\$ 21,224,276</u>	<u>\$ 107,385,966</u>	<u>\$ 10,422,659</u>	<u>\$ 117,808,625</u>	<u>\$ 109,382,886</u>
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code 56.033, \$4,970,003 and \$5,359,099 was set aside for Texas Public Education Grants in 2019 and 2018, respectively.

LONE STAR COLLEGE
 SCHEDULE OF OPERATING EXPENSES BY OBJECT
 YEAR ENDED AUGUST 31, 2019 (with Memorandum Totals for the Year Ended August 31, 2018)

	Operating Expenses				2019 Total	2018 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted educational activities						
Instruction	\$ 103,410,083	-	\$ 20,776,742	\$ 11,496,600	\$ 135,683,425	\$ 123,350,441
Public service	468,664	-	223,243	42,240	734,147	511,522
Academic support	40,086,903	-	10,776,118	15,397,469	66,260,490	58,015,070
Student services	33,932,332	-	9,222,835	13,765,357	56,920,524	48,504,218
Institutional support	34,445,809	-	12,822,920	9,675,688	56,944,417	44,359,797
Operation and maintenance of plant	8,205,216	-	4,398,694	28,291,119	40,895,029	50,670,033
Total unrestricted educational activities	<u>220,549,007</u>	<u>-</u>	<u>58,220,552</u>	<u>78,668,473</u>	<u>357,438,032</u>	<u>325,411,081</u>
Restricted educational activities						
Instruction	1,245,194	9,071,308	160,324	2,282,101	12,758,927	14,216,967
Public service	214,533	58,901	33,239	292,571	599,244	689,171
Academic support	1,608,900	4,720,786	217,668	5,329,077	11,876,431	8,077,474
Student services	250,742	4,115,055	47,939	413,503	4,827,239	5,004,686
Institutional support	49,119	6,371,110	8,659	442,900	6,871,788	6,537,688
Operation and maintenance of plant	-	-	-	3,066,934	3,066,934	8,586,676
Scholarships and fellowships	-	-	-	43,095,928	43,095,928	50,574,385
Total restricted educational activities	<u>3,368,488</u>	<u>24,337,160</u>	<u>467,829</u>	<u>54,923,014</u>	<u>83,096,491</u>	<u>93,687,047</u>
Total educational activities	223,917,495	24,337,160	58,688,381	133,591,487	440,534,523	419,098,128
Auxiliary enterprises	703,223	-	864,381	8,091,116	9,658,720	8,935,215
Depreciation expense - buildings	-	-	-	17,295,639	17,295,639	14,185,303
Depreciation expense - Other	-	-	-	7,986,843	7,986,843	8,585,171
Total operating expenses	<u>\$ 224,620,718</u>	<u>\$ 24,337,160</u>	<u>\$ 59,552,762</u>	<u>\$ 166,965,085</u>	<u>\$ 475,475,725</u>	<u>\$ 450,803,817</u>
				(Exhibit 2)	(Exhibit 2)	

LONE STAR COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2019 (With Memorandum Totals for the Year Ended August 31, 2018)

	Unrestricted	Restricted	Auxiliary Enterprises	2019 Total	2018 Total
Non-Operating revenues					
State appropriations					
Education and general state support	\$ 91,081,991	\$ -	\$ -	\$ 91,081,991	\$ 77,983,684
State group insurance	-	12,320,390	-	12,320,390	16,024,684
State retirement matching	-	12,016,771	-	12,016,771	8,744,690
Total state appropriations	91,081,991	24,337,161	-	115,419,152	102,753,058
Maintenance ad valorem taxes	152,277,079	-	-	152,277,079	146,643,168
General obligation ad valorem taxes	-	53,202,966	-	53,202,966	51,201,174
Federal revenue, non-operating	-	77,278,621	-	77,278,621	82,323,906
Gifts	284,059	-	-	284,059	493,916
Investment income, net	7,061,113	-	-	7,061,113	4,848,309
Gain on sale/donation of capital asset	82,446	474,405	-	556,851	228
Other non-operating revenues	986,534	1,976,081	-	2,962,615	5,377,573
Total non-operating revenues	251,773,222	157,269,234	-	409,042,456	393,641,332
Non-Operating expenses					
Interest on capital related debt	-	24,447,197	-	24,447,197	23,116,180
Loss on disposal of capital assets	370,104	-	-	370,104	408,553
Total non-operating expenses	370,104	24,447,197	-	24,817,301	23,524,733
Net non-operating revenues	\$ 251,403,118	\$ 132,822,037	\$ -	\$ 384,225,155	\$ 370,116,599
				(Exhibit 2)	(Exhibit 2)

LONE STAR COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
YEAR ENDED AUGUST 31, 2019 (with Memorandum Totals for the Year Ended August 31, 2018)

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets (Net)	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (151,687,072)	\$ -	\$ -	\$ -	\$ (151,687,072)	\$ (151,687,072)	\$ -
Restricted	-	206,911	-	-	206,911	-	206,911
Auxiliary enterprises	10,422,659	-	-	-	10,422,659	10,422,659	-
Plant:							
Debt service	-	24,659,779	-	-	24,659,779	-	24,659,779
Investment in Plant	-	-	-	334,489,377	334,489,377	-	334,489,377
Total Net Position - August 31, 2019	(141,264,413)	24,866,690	-	334,489,377	218,091,654 (Exhibit 1)	(141,264,413)	359,356,067
Total Net Position - August 31, 2018	(110,681,810)	27,070,794	-	275,144,614	191,533,598 (Exhibit 1)	(110,681,810)	302,215,408
Net Increase (Decrease) in Net Position	\$ (30,582,603)	\$ (2,204,104)	\$ -	\$ 59,344,763	\$ 26,558,056 (Exhibit 2)	\$ (30,582,603)	\$ 57,140,659

SCHEDULE E

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED August 31, 2019**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass Through Disbursements and Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs:</u>			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants-FSEOG(18-19)	84.007	P007A184084	\$ 1,523,250
Total Federal Supplemental Educational Opportunity Grants			<u>1,523,250</u>
Federal Work-Study Program (17-18)	84.033	P033A184084	1,163,786
Federal Work-Study Program (18-19)	84.033	P033A194084	212,676
Total Federal Work-Study Program			<u>1,376,461</u>
Federal Pell Grant Program (17-18)	84.063	P063P173422	(7,693)
Federal Pell Grant Program (18-19)	84.063	P063P183422	74,386,603
Total Federal Pell Grant Program			<u>74,378,910</u>
Direct Loan Program (17-18)	84.268	P268K183422	(22,493)
Direct Loan Program (18-19)	84.268	P268K193422	33,159,994
Total Direct Loan Program			<u>33,137,501</u>
TOTAL FINANCIAL AID CLUSTER			<u>110,416,122</u>
TRIO Cluster			
Lone Star College-North Harris: Student Support Services Program	84.042A	P042A150892	268,574
Lone Star College-Tomball: Student Support Services Program	84.042A	P042A151021	249,016
Total TRIO - Student Support Services			<u>517,590</u>
Lone Star College-North Harris:Talent Search Program	84.044A	P044A160416	245,649
Lone Star College- North Harris Upward Bound, Aldine and Eisenhower High Schools	84.047A	P047A170277	259,041
Lone Star College-North Harris Upward Bound, MacArthur and Nimitz High Schools	84.047A	P047A170276	293,374
Total TRIO - Upward Bound			<u>552,415</u>
TOTAL TRIO CLUSTER			<u>1,315,654</u>
Title V - North Harris	84.031S	P031S160059	551,557
Center for Leadership, Academics and Student Success: CLASS	84.031S	P031S160060	485,676
Total Higher Education Institutional Aid Title V CLASS			<u>1,037,233</u>
<u>Pass-Through:</u>			
Texas Higher Education Coordinating Board			
Career and Technical Education - Basic Grants	84.048	20777	1,124,832
Career and Technical Education - Leadership Grants	84.048	20841	33,072
RAND RCT	84.305H	R305H150094	15,468
Total Texas Higher Educaiton Coordinating Board			<u>1,173,372</u>
<u>Pass-Through:</u>			
Texas Workforce Commission			
<u>Pass-Through:</u>			
Houston Galveston Area Council			
Adult Education and Literacy FY19	84.002	214-19	970,816
Adult Education and Literacy FY20	84.002	214-20	124,627
Total Adult Education and Literacy			<u>1,095,443</u>
<u>Pass-Through:</u>			
University of Houston - Downtown			
Pathways to Teaching Careers Program	84.031	P031S150206	109,735
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>115,147,558</u>

Notes to the Schedule of Expenditures of Federal Awards are integral part of this statement

SCHEDULE E (Continued)

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED August 31, 2019**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass Through Disbursements and Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Pass-Through:</u>			
Houston Galveston Area Council Adult Education and Literacy FY19	93.558	214-19	25,930
<u>Pass-Through:</u>			
Texas Workforce Commission TANF - Governor's Summer Merit Program	93.558	2819SMP008	5,403
TANF - Governor's Summer Merit Program	93.558	2819SMP005	27,996
TANF - Governor's Summer Merit Program	93.558	2819SMP007	27,733
Camp Code for Girls	93.558	2819TAN004	20,977
Total Texas Workforce Commission			<u>82,109</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>108,039</u>
U.S. DEPARTMENT OF LABOR			
<u>Pass-Through:</u>			
Texas Workforce Commission National Dislocated Worker Disaster Grant Project TX-32 Disaster - 2017 Hurricane Harvey	17.277	2818NDW004	178,218
TOTAL U.S. DEPARTMENT OF LABOR			<u>178,218</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<u>Direct Programs:</u>			
FY 2018 Commercial Motor Vehicle Operator Safety Training Program	20.235	FM-DTG-0067-18-01-00	74,334
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>74,334</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Pass-Through:</u>			
Disaster Public Assistance Texas Division of Emergency Management Public Assistance Funds	97.036	TDEM-DR-4332-TX	9,466,727
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>9,466,727</u>
U. S. SMALL BUSINESS ADMINISTRATION			
<u>Pass-Through:</u>			
University of Houston Small Business Development Centers	59.037	R-18-0051-53813	28,146
Small Business Development Centers	59.037	R-19-0059-53813	242,442
TOTAL U.S. SMALL BUSINESS DEVELOPMENT CENTER			<u>270,589</u>

Notes to the Schedule of Expenditures of Federal Awards are integral part of this statement

SCHEDULE E (Continued)

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED August 31, 2019**

NATIONAL SCIENCE FOUNDATION

Direct Program:

Advanced Programmable Logic Controllers, Robotics and Networking	47.076	DUE-1665201	72,538
<u>Pass-Through:</u>			
Collin County Community College District			
National Convergence Technology Center	47.076	DUE-1700530	1,306
Information Technology Skills Standards, 2020 and Beyond	47.076	DUE-1838535	9,502
Total Collin County Community College District			10,808

Pass-Through:

The Regents of the University of New Mexico			
Scaling Microsystems Support	47.076	394-084-87AQ	19,408

TOTAL NATIONAL SCIENCE FOUNDATION

102,755

TOTAL FEDERAL FINANCIAL ASSISTANCE

\$ 125,348,220

Notes to the Schedule of Expenditures of Federal Awards are integral part of this statement

**LONE STAR COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED August 31, 2019**

1 Basis of Presentation

The schedule of expenditures of federal awards presents the federal grant activity of Lone Star College (the "College") for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget's (OMB) Uniform Guidance and includes awards received directly from federal agencies as well as federal awards passed through other government agencies.

2 Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when incurred. Revenues are reported only to the extent of expenditures for the current year. Federal receivables represent amounts expended in excess of that received. The College has elected not to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance.

3 Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule of Operating Revenues (Schedule A)	\$	14,932,098
Federal Revenue, Non-Operating - per Schedule of Non-Operating Revenues and Expenses (Schedule C)		77,278,621
Federal Direct Student Loan Program		<u>33,137,501</u>
 Total Federal Revenues per Schedule of Expenditures of Federal Awards (Schedule E)	 \$	 <u><u>125,348,220</u></u>

4 Expenditures Not Subject to Federal Single Audit: NONE

5 Sub-Recipients:

NONE

6 Adult Education and Literacy FY20

U.S Department of Education CFDA Number 84.002 represents the Federal and El Civics funding streams. Included in the Federal funding stream are amounts to be allocated by the pass-through grantor Texas Workforce Commission to the TANF and State funding streams as follows:
(1) TANF funding stream: U.S Department of Health and Human Services CFDA Number 93.558, and
(2) State funding stream: See Schedule F.
However at the time of producing Schedules E and F the Texas Workforce Commission had not advised of these allocations for FY20. Thus the expenditures reported on this Schedule E are shown in aggregate as U.S. Department of Education CFDA Number 84.002.

7 Disaster Grants - Public Assistance

The accompanying schedule of expenditures of federal awards includes \$9,466,727 of grant expenditures approved by FEMA that were incurred in a prior fiscal year.

SCHEDULE F

**LONE STAR COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED August 31, 2019**

<u>State Grantor/Pass Through Grantor</u>	<u>State/Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
TEXAS HIGHER EDUCATION COORDINATING BOARD:			
<u>Direct Programs:</u>			
College Work - Study Program (17-18)	N/A	N/A	\$ 234,345
Mentorship Program (18-19)	N/A	N/A	164,736
Texas Educational Opportunity Grant Program (17-18)	N/A	N/A	(6)
Texas Educational Opportunity Grant Program (18-19)	N/A	N/A	2,111,502
Texas Educational Opportunity Grant Renewal Program (18-19)	N/A	N/A	483,734
			<u>2,595,230</u>
Nursing Innovation Grant Program - Building Simulation & Skills Lab Capacity	N/A	18024	18,535
Nursing Innovation Grant Program - Building Simulation & Skills Lab Capacity	N/A	19553	32,298
Total Nursing Innovation Grant Program - Nursing and Allied Health			<u>50,833</u>
Nursing Shortage Reduction Plan - Under 70 Program	N/A	N/A	45,506
Nursing Shortage Reduction Program - Under 70 Program	N/A	N/A	9,768
Total Nursing Shortage Reduction Plan			<u>55,274</u>
Texas Science Technology Engineering and Mathematics (T-Stem)	N/A	16903	51,114
2018 College Readiness and Success Models for 60x30TX (CRSM-2018)	N/A	20518	64,344
2018 College Readiness and Success Models for 60x30TX (CRSM-2018) Tomball	N/A	20519	55,043
Total College Readiness and Success Models for 60x30TX			<u>119,387</u>
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD			<u>3,270,919</u>
TEXAS WORKFORCE COMMISSION:			
<u>Direct Programs:</u>			
Lone Star College in Partnership with Cypress Fairbanks Medical Center INC	N/A	2817SDF004	55,106
Lone Star College in Partnership with A Manufacturing Consortium	N/A	2818SDF004	806,517
Lone Star College in Partnership with Tomball Texas Hospital	N/A	2817SDF007	181,746
FY17 Skills for Small Business	N/A	2817SSD003	7,717
FY19 Skills for Small Business	N/A	2819SSD002	6,072
Total Skills Development Fund			<u>1,057,158</u>
<u>Pass-Through:</u>			
Houston Galveston Area Council			
Adult Education and Literacy FY19	N/A	214-19	93,770
TOTAL TEXAS WORKFORCE COMMISSION			1,150,928
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 4,421,847</u>

Notes to the Schedule of Expenditures of State Awards are an integral part of this statement.

LONE STAR COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED August 31, 2019

1 Significant Accounting Policies used in Preparing the Schedule

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

2 State Assistance Reconciliation

State Grants and Contracts (Schedule A)	\$	4,421,847
Reconciling items:		
None		-
Total expenditures per Schedule of State Awards	<u>\$</u>	<u>4,421,847</u>

3 Adult Education and Literacy FY20

The State funding stream for FY20 is still to be allocated by the pass-through grantor Texas Workforce Commission. Thus all FY20 expenditures are reported on Schedule E in aggregate as U.S. Department of Education CFDA Number 84.002.



Statistical Section

STATISTICAL SECTION CONTENTS

This part of the Lone Star College comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the College's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the College's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the College's most significant local revenue sources - tuition and fees, state appropriations, and ad valorem taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and the College's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the College's financial report relates to the services the College provides and the activities it performs.

Sources: unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Lone Star College
Statistical Supplement 1
Net Position by Component
Last Ten Fiscal Years
(unaudited)**

For the Fiscal Year Ended August 31,
(amounts expressed in thousands)

	2019	2018 **	2017 as restated	2016	2015 *	2014	2013	2012	2011	2010
Net Investment in Capital Assets	\$334,489	\$275,144	\$233,665	\$216,841	\$198,560	\$178,160	\$178,498	\$195,090	\$190,949	\$178,172
Restricted - expendable	24,866	27,071	36,830	52,157	48,250	44,889	37,800	13,886	7,574	492
Unrestricted	(141,264)	(110,682)	(11,902)	(44,448)	(28,218)	52,534	56,314	60,189	47,563	45,022
Total net position	<u>\$ 218,091</u>	<u>\$ 191,533</u>	<u>\$ 258,593</u>	<u>\$ 224,550</u>	<u>\$ 218,592</u>	<u>\$ 275,583</u>	<u>\$ 272,612</u>	<u>\$ 269,165</u>	<u>\$ 246,086</u>	<u>\$ 223,686</u>
Net increase (decrease) in net position	<u>\$ 26,558</u>	<u>\$ (67,060)</u>	<u>\$ 34,043</u>	<u>\$ 5,958</u>	<u>\$ (56,991)</u>	<u>\$ 2,971</u>	<u>\$ 3,447</u>	<u>\$ 23,079</u>	<u>\$ 22,400</u>	<u>\$ 16,504</u>

* Net position in 2015 was impacted by GASB 68, *Accounting and Financial Reporting for Pensions*.

** Net position in 2018 was impacted by GASB 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pensions*.

**Lone Star College
Statistical Supplement 2
Revenues by Source
Last Ten Fiscal Years
(unaudited)**

For the Year Ended August 31,
(amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017 as restated</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tuition and Fees (Net of Discounts)	\$ 80,967	\$ 81,367	\$ 82,416	\$ 77,531	\$ 77,565	\$ 61,961	\$ 59,682	\$ 58,864	\$ 54,089	\$ 46,330
Governmental Grants and Contracts										
Federal Grants and Contracts	14,932	5,565	4,536	4,208	4,823	5,775	5,583	6,636	5,016	7,803
State Grants and Contracts	4,422	3,481	4,663	4,851	4,657	3,456	3,901	2,657	3,271	2,744
Local Grants and Contracts	3,958	4,047	3,750	4,771	5,574	4,612	4,000	4,423	5,791	3,656
Auxiliary enterprises	10,423	10,606	13,012	14,690	14,963	14,335	9,850	8,570	7,313	6,737
Other Operating Revenues	3,107	4,317	3,389	2,897	2,780	2,239	1,467	1,757	1,547	1,326
Total Operating Revenues	<u>\$ 117,809</u>	<u>\$ 109,383</u>	<u>\$ 111,766</u>	<u>\$ 108,948</u>	<u>\$ 110,361</u>	<u>\$ 92,378</u>	<u>\$ 84,483</u>	<u>\$ 82,907</u>	<u>\$ 77,027</u>	<u>\$ 68,596</u>
Ad Valorem Taxes:										
Maintenance and Operations	152,277	146,643	140,258	125,089	112,203	109,041	104,875	101,461	96,232	89,416
General Obligation Bonds	53,203	51,201	48,875	54,177	46,633	43,663	40,884	39,020	38,486	39,416
State Appropriations	115,419	102,753	95,681	97,052	90,002	85,709	75,962	75,418	73,405	74,594
Federal Revenue, Non-Operating	77,279	82,324	77,449	77,853	91,112	91,369	90,757	89,175	74,414	50,747
Investment income	7,061	4,848	2,609	1,163	663	451	556	500	732	967
Other non-operating revenues	3,803	5,872	5,159	6,225	3,525	4,568	4,871	4,183	3,868	4,601
Total Non-Operating Revenues	<u>409,042</u>	<u>393,641</u>	<u>370,031</u>	<u>361,559</u>	<u>344,139</u>	<u>334,801</u>	<u>317,905</u>	<u>309,757</u>	<u>287,137</u>	<u>259,741</u>
Total Revenues	<u>\$ 526,851</u>	<u>\$ 503,024</u>	<u>\$ 481,797</u>	<u>\$ 470,507</u>	<u>\$ 454,500</u>	<u>\$ 427,179</u>	<u>\$ 402,388</u>	<u>\$ 392,664</u>	<u>\$ 364,164</u>	<u>\$ 328,337</u>

Statistical Supplement 2 (Cont)

	For the Year Ended August 31,									
	2019	2018	2017 as restated	2016	2015	2014	2013	2012	2011	2010
Tuition and Fees (Net of Discounts)	15.37%	16.18%	17.11%	16.48%	17.07%	14.50%	14.83%	14.99%	14.85%	14.11%
Governmental Grants and Contracts										
Federal Grants and Contracts	2.83%	1.11%	0.94%	0.89%	1.06%	1.35%	1.39%	1.69%	1.38%	2.38%
State Grants and Contracts	0.84%	0.69%	0.97%	1.03%	1.02%	0.81%	0.97%	0.68%	0.90%	0.84%
Local Grants and Contracts	0.75%	0.80%	0.78%	1.01%	1.23%	1.08%	0.99%	1.13%	1.59%	1.11%
Auxiliary enterprises	1.98%	2.11%	2.70%	3.12%	3.29%	3.36%	2.45%	2.18%	2.01%	2.05%
Other Operating Revenues	0.59%	0.86%	0.70%	0.62%	0.61%	0.52%	0.36%	0.45%	0.42%	0.40%
Total Operating Revenues	22.36%	21.75%	23.20%	23.16%	24.28%	21.63%	21.00%	21.11%	21.15%	20.89%
Ad Valorem Taxes:										
Maintenance and Operations	28.90%	29.15%	29.11%	26.59%	24.69%	25.53%	26.06%	25.84%	26.43%	27.23%
General Obligation Bonds	10.10%	10.18%	10.14%	11.51%	10.26%	10.22%	10.16%	9.94%	10.57%	12.00%
State Appropriations	21.91%	20.43%	19.86%	20.63%	19.80%	20.06%	18.88%	19.21%	20.16%	22.72%
Federal Revenue, Non-Operating	14.67%	16.37%	16.08%	16.55%	20.05%	21.39%	22.55%	22.71%	20.43%	15.46%
Investment income	1.34%	0.96%	0.54%	0.25%	0.15%	0.11%	0.14%	0.13%	0.20%	0.29%
Other non-operating revenues	0.72%	1.17%	1.07%	1.32%	0.78%	1.07%	1.21%	1.07%	1.06%	1.40%
Total Non-Operating Revenues	77.64%	78.25%	76.80%	76.84%	75.72%	78.37%	79.00%	78.89%	78.85%	79.11%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Lone Star College
Statistical Supplement 3
Program Expenses by Function
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2019	2018	2017 as Restated	2016	2015	2014	2013	2012	2011	2010
Instruction	\$ 148,442	\$ 137,567	\$ 133,086	\$ 133,901	\$ 128,276	\$ 123,466	\$ 113,233	\$ 108,314	\$ 104,578	\$ 99,673
Research			-	-	-	-	-	-	-	-
Public service	1,333	1,201	1,279	1,348	1,364	1,340	1,048	1,163	1,252	1,805
Academic support	78,137	66,093	61,254	58,500	60,595	55,928	54,998	47,383	47,497	44,995
Student services	61,748	53,509	51,207	50,524	47,340	41,840	38,498	34,101	30,101	29,942
Institutional support	63,816	50,897	60,484	41,817	40,664	37,230	32,744	29,227	29,908	30,207
Operation and maintenance of plant	43,963	59,257	48,555	52,536	49,375	43,688	42,416	42,230	36,497	35,753
Scholarships and fellowships	43,096	50,574	50,994	53,178	65,330	55,840	56,215	60,374	51,120	33,743
Auxiliary enterprises	9,659	8,935	11,985	16,356	14,088	12,307	8,621	6,772	5,748	5,297
Depreciation	25,282	22,770	22,222	27,455	25,473	23,588	22,346	19,368	12,666	10,682
Total Operating Expenses	\$ 475,476	\$ 450,803	\$ 441,066	\$ 435,615	\$ 432,505	\$ 395,227	\$ 370,119	\$ 348,932	\$ 319,367	\$ 292,097
Interest on capital related debt	24,447	23,116	24,844	28,870	23,738	27,106	22,792	19,614	20,959	19,731
Loss on disposal of capital assets	370	409	721	63	196	1,876	6,030	666	1,439	5
Total Non-Operating Expenses	24,817	23,525	25,565	28,933	23,934	28,982	28,822	20,280	22,398	19,736
Total Expenses	\$ 500,293	\$ 474,328	\$ 466,631	\$ 464,548	\$ 456,438	\$ 424,209	\$ 398,941	\$ 369,212	\$ 341,765	\$ 311,833

Statistical Supplement 3 (Cont)

	For the Year Ended August 31,									
	2019	2018	2017 as Restated	2016	2015	2014	2013	2012	2011	2010
Instruction	29.67%	29.00%	28.51%	28.82%	28.10%	29.10%	28.38%	29.34%	30.60%	31.96%
Research	-	-	-	-	-	-	-	-	-	-
Public service	0.27%	0.25%	0.27%	0.29%	0.30%	0.32%	0.26%	0.31%	0.37%	0.58%
Academic support	15.62%	13.95%	13.15%	12.59%	13.28%	13.18%	13.79%	12.83%	13.90%	14.43%
Student services	12.34%	11.28%	10.97%	10.88%	10.37%	9.86%	9.65%	9.24%	8.81%	9.60%
Institutional support	12.76%	10.73%	12.96%	9.00%	8.91%	8.78%	8.21%	7.92%	8.75%	9.69%
Operation and maintenance of plant	8.79%	12.49%	10.41%	11.31%	10.82%	10.30%	10.63%	11.44%	10.67%	11.46%
Scholarships and fellowships	8.61%	10.66%	10.93%	11.45%	14.31%	13.16%	14.09%	16.35%	14.96%	10.82%
Auxiliary enterprises	1.93%	1.88%	2.57%	3.52%	3.09%	2.90%	2.16%	1.83%	1.68%	1.70%
Depreciation	5.05%	4.80%	4.76%	5.91%	5.58%	5.56%	5.60%	5.25%	3.71%	3.43%
Total Operating Expenses	<u>95.04%</u>	<u>95.04%</u>	<u>94.53%</u>	<u>93.77%</u>	<u>94.76%</u>	<u>93.16%</u>	<u>92.77%</u>	<u>94.51%</u>	<u>93.45%</u>	<u>93.67%</u>
Interest on capital related debt	4.89%	4.87%	5.32%	6.21%	5.20%	6.39%	5.71%	5.31%	6.13%	6.33%
Loss on disposal of capital assets	0.07%	0.09%	0.15%	0.01%	0.04%	0.44%	1.51%	0.18%	0.42%	0.00%
Total Non-Operating Expenses	<u>4.96%</u>	<u>4.96%</u>	<u>5.47%</u>	<u>6.22%</u>	<u>5.24%</u>	<u>6.83%</u>	<u>7.22%</u>	<u>5.49%</u>	<u>6.55%</u>	<u>6.33%</u>
Total Expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**Lone Star College
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)**

Academic Year (Fall)	Registration Fee (per student)	Resident Fees per Semester Credit Hour (SCH)									Increase Prior Year	Increase from Prior Year
		In-District Tuition	Out-of-District Tuition	Technology Fees	Student Activity Fees	General Use Fee	Infrastructure Fee (per semester)	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District			
		2019	\$12	\$44	\$139	\$11	\$2	\$7	\$20	\$800		
2018	12	44	129	11	2	7	20	800	1,820	0.00%	7.06%	
2017	12	44	119	11	2	7	20	800	1,700	3.09%	5.20%	
2016	12	44	114	9	2	7	20	776	1,616	3.19%	1.51%	
2015	12	42	112	9	2	7	20	752	1,592	0.00%	0.00%	
2014	12	42	112	9	2	7	20	752	1,592	6.82%	3.11%	
2013	12	40	110	7	2	7	20	704	1,544	0.00%	0.00%	
2012	12	40	110	7	2	7	20	704	1,544	0.00%	0.00%	
2011	12	40	110	7	2	7	20	704	1,544	17.33%	7.22%	
2010	12	38	108	7	2	2		600	1,440	N/A	N/A	

Academic Year (Fall)	Registration Fee (per student)	Non-Resident Fees per Semester Credit Hour (SCH)										Increase Prior Year	Increase from Prior Year
		In-District Tuition	Out-of-District Tuition	Technology Fees	Student Activity Fees	General Use Fee	Infrastructure Fee (per semester)	Cost for 12 SCH Out-of-State	Cost for 12 SCH International				
		2019	\$12	\$174	\$174	\$11	\$2	\$7	\$20	\$2,360	\$2,360		
2018	12	144	144	11	2	7	20	2,000	2,000	6.38%	6.38%		
2017	12	134	134	11	2	7	20	1,880	1,880	4.68%	4.68%		
2016	12	129	129	9	2	7	20	1,796	1,796	1.35%	1.35%		
2015	12	127	127	9	2	7	20	1,772	1,772	0.00%	0.00%		
2014	12	127	127	9	2	7	20	1,772	1,772	2.78%	2.78%		
2013	12	125	125	7	2	7	20	1,724	1,724	0.00%	0.00%		
2012	12	125	125	7	2	7	20	1,724	1,724	0.00%	0.00%		
2011	12	125	125	7	2	7	20	1,724	1,724	6.42%	6.42%		
2010	12	123	123	7	2	2		1,620	1,620	N/A	N/A		

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees. Additional differential fees are assessed for certain higher cost programs. Amounts vary by program.

Lone Star College
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2018-19	211,742,224	(16,877,578)	194,864,646	92.03%	0.0800	0.0278	0.1078
2017-18	204,014,743	(15,813,061)	188,201,682	92.25%	0.0800	0.0278	0.1078
2016-17	196,054,317	(15,500,454)	180,553,863	92.09%	0.0800	0.0278	0.1078
2015-16	183,418,226	(14,483,058)	168,935,168	92.10%	0.0754	0.0325	0.1079
2014-15	162,036,778	(13,195,229)	148,841,549	91.86%	0.0765	0.0316	0.1081
2013-14	145,894,831	(12,841,989)	133,052,842	91.20%	0.0825	0.0335	0.1160
2012-13	134,231,554	(11,446,862)	122,784,692	91.47%	0.0863	0.0335	0.1198
2011-12	127,768,523	(10,264,805)	117,503,718	91.97%	0.0875	0.0335	0.1210
2010-11	124,218,962	(8,525,498)	115,693,464	93.14%	0.0841	0.0335	0.1176
2009-10	126,352,009	(8,422,514)	117,929,495	93.33%	0.0766	0.0335	0.1101

Source: Harris and Montgomery County Appraisal Districts.

Notes: Property is assessed at full market value less exempted property. The assessed valuation represents two classes of property; real and personal. An aggregate presentation is preferred due to the relatively minor portion of the value represented by personal property.

(a) per \$100 Taxable Assessed Valuation

Lone Star College
 Statistical Supplement 6
 State Appropriation per FTSE and Contact Hour
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation (expressed in thousands)	FTSE (a)	State Appropriation per FTSE	(hours expressed in thousands)			State Appropriation per Contact Hour
				Academic Contact Hours (b)	Voc/Tech Contact Hours (c)	Total Contact Hours	
2018-19	\$ 77,982	42,115	\$ 1,852	21,232	4,601	25,833	\$ 3.02
2017-18	77,984	37,294	2,091	22,017	4,837	26,854	2.90
2016-17	74,089	42,516	1,743	21,882	4,554	26,436	2.80
2015-16	73,969	40,350	1,833	21,173	4,532	25,705	2.88
2014-15	72,476	40,357	1,796	20,867	4,621	25,488	2.84
2013-14	72,476	39,973	1,813	20,491	4,765	25,256	2.87
2012-13	75,962	40,029	1,898	7,971	166	8,137	9.34
2011-12	75,418	37,563	2,008	7,397	164	7,561	9.97
2010-11	73,405	36,391	2,017	7,126	211	7,337	10.00
2009-10	74,594	32,124	2,322	7,692	183	7,875	9.47

Source 2013-14 and after:

- (a) CBM001 - Fall Semester (this information is from the total fall fundable credit hours on CBM 004 divided by 12).
- (b) CBM004 - Full academic year (Academic only)
- (c) CBM00C - Full academic year

Source 2012-13 and prior:

- (a) CBM001 Fall Semester (this information is from the total fall fundable credit hours on CBM 004 divided by 12).
- (b) CBM004 Fall Semester (Academic only)
- (c) CBM00C 1st Quarter

Note: FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12.

**Lone Star College
Statistical Supplement 7
Principal Taxpayers
Last Ten Fiscal Years
(Unaudited)**

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Fiscal Year (amounts expressed in thousands)										
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Palmetto Transoceanic LLC	General Industrial	\$ 1,195,026	\$ 1,296,880	\$ 1,289,093	\$ 1,130,070	\$ 534,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hewlett Packard	Manufacturing	884,261	735,567	958,710	999,045	970,506	923,268	950,638	966,995	773,400	951,681	
Centerpoint Energy Inc	Utility	823,145	779,708	768,270	593,230	697,677	726,301	627,931	612,353	607,492	631,661	
United Airlines Inc	Airline	778,078	785,506	897,152	868,505	669,438	315,198	269,573	240,493	234,462	-	
National Oilwell Inc	Oil and Gas	758,734	727,283	822,446	1,148,101	831,228	750,757	953,362	853,978	1,029,299	542,361	
Halliburton	Oil and Gas	438,304	612,107	504,152	761,259	689,307	637,090	602,119	417,115	243,305	251,237	
HEB Grocery Co LP	Retail grocery	432,492	431,788	378,851	-	-	-	252,711	223,180	-	-	
Liberty Property	Real Estate	427,588	460,219	411,386	369,225	-	-	-	-	-	-	
Baker Hughes	Oil and Gas	410,921	552,156	605,697	825,106	612,975	549,693	329,148	316,406	-	244,222	
Walmart	Retail	396,209	-	-	-	-	343,630	333,060	340,227	324,956	345,162	
Anadarko Realty Co	Real Estate	-	368,611	387,529	377,015	367,015	-	-	-	-	-	
Noble Drilling	Oil and Gas	-	-	-	413,495	397,375	339,270	-	-	-	-	
Cameron	Oil and Gas	-	-	-	-	413,225	406,267	339,451	-	-	-	
Smith International	Oil and Gas	-	-	-	-	-	371,334	314,722	241,037	227,655	254,117	
Walmart RE Business Trust	Real Estate	-	-	-	-	-	-	-	230,856	-	-	
LeTourneau Technologies	Oil and Gas	-	-	-	-	-	-	-	-	226,670	282,033	
Comcast of Houston LLC	Utility	-	-	-	-	-	-	-	-	218,045	-	
Hines Interests Ltd Psp	Real Estate	-	-	-	-	-	-	-	-	215,407	234,733	
Houston Pipeline Co LP	Utility	-	-	-	-	-	-	-	-	-	355,074	
Schlumberger Technology	Oil and Gas	-	-	-	-	-	-	-	-	-	-	
AT&T/Southwestern Bell	Utility	-	-	-	-	-	-	-	-	-	-	
Totals		\$ 6,544,758	\$ 6,749,825	\$ 7,023,286	\$ 7,485,051	\$ 6,182,896	\$ 5,362,808	\$ 4,972,715	\$ 4,442,640	\$ 4,100,691	\$ 4,092,281	
Total Taxable Assessed Value		\$ 194,864,646	\$ 188,201,682	\$ 180,553,863	\$ 168,935,168	\$ 148,841,539	\$ 133,052,842	\$ 122,784,692	\$ 117,503,718	\$ 115,693,464	\$ 117,929,495	

Statistical Section 7 (cont)

		% of Taxable Assessed Value (TAV) by Fiscal Year									
Taxpayer	Type of Business	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Palmetto Transoceanic LLC	General Industrial	0.61%	0.69%	0.71%	0.67%	0.36%	-	-	-	-	-
Hewlett Packard	Manufacturing	0.45%	0.39%	0.53%	0.59%	0.65%	0.69%	0.77%	0.82%	0.67%	0.81%
Centerpoint Energy Inc	Utility	0.42%	0.41%	0.43%	0.35%	0.47%	0.55%	0.51%	0.52%	0.53%	0.54%
United Airlines Inc	Airline	0.40%	0.42%	0.50%	0.51%	0.45%	0.24%	0.22%	0.20%	0.20%	-
National Oilwell Inc	Oil and Gas	0.39%	0.39%	0.46%	0.68%	0.56%	0.56%	0.78%	0.73%	0.89%	0.46%
Halliburton	Oil and Gas	0.22%	0.33%	0.28%	0.45%	0.46%	0.48%	0.49%	0.35%	0.21%	0.21%
HEB Grocery Co LP	Retail grocery	0.22%	0.23%	0.21%	-	-	-	0.21%	0.19%	-	-
Liberty Property	Real Estate	0.22%	0.24%	0.23%	0.22%	-	-	-	-	-	-
Baker Hughes	Oil and Gas	0.21%	0.29%	0.34%	0.49%	0.41%	0.41%	0.27%	0.27%	-	0.21%
Walmart	Retail	0.20%	-	-	-	-	0.26%	0.27%	0.29%	0.28%	0.29%
Anadarko Realty Co	Real Estate	-	0.20%	0.21%	0.22%	0.25%	-	-	-	-	-
Noble Drilling	Oil and Gas	-	-	-	0.24%	0.27%	0.25%	-	-	-	-
Cameron	Oil and Gas	-	-	-	-	0.28%	0.31%	0.28%	-	-	-
Smith International	Oil and Gas	-	-	-	-	-	0.28%	0.26%	0.21%	0.20%	0.22%
Walmart RE Business Trust	Real Estate	-	-	-	-	-	-	-	0.20%	-	-
LeTourneau Technologies	Oil and Gas	-	-	-	-	-	-	-	-	0.20%	0.24%
Comcast of Houston LLC	Utility	-	-	-	-	-	-	-	-	0.19%	-
Hines Interests Ltd Psp	Real Estate	-	-	-	-	-	-	-	-	0.19%	0.20%
Houston Pipeline Co LP	Utility	-	-	-	-	-	-	-	-	-	0.30%
Schlumberger Technology	Oil and Gas	-	-	-	-	-	-	-	-	-	-
AT&T/Southwestern Bell	Utility	-	-	-	-	-	-	-	-	-	-
Total % of TAV		3.36%	3.59%	3.89%	4.43%	4.15%	4.03%	4.05%	3.78%	3.54%	3.47%

Source: Harris County and Montgomery County Appraisal District Reports

Note: Fiscal Year corresponds to prior Tax Year

Lone Star College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)
(amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Current Collections of Prior Levies (d)	Penalty and Interest Collections (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2019	\$ 196,596	\$ 9,913	\$ 206,509	\$ 205,287	99.41%	\$ 514	\$ 2,033	\$ 207,834	100.64%
2018	188,838	10,533	199,371	197,575	99.10%	603	2,239	200,417	100.52%
2017	177,854	13,744	191,597	190,148	99.24%	684	1,968	192,800	100.63%
2016	163,569	16,651	180,220	178,278	98.92%	1,086	1,872	181,235	100.56%
2015	143,277	16,524	159,801	157,603	98.62%	1,089	1,749	160,441	100.40%
2014	126,882	26,539	153,421	151,805	98.95%	614	1,561	153,979	100.36%
2013	130,094	17,002	147,096	144,108	97.97%	2,118	964	147,190	100.06%
2012	131,397	8,624	140,021	139,289	99.48%	2,069	1,264	142,622	101.86%
2011	121,564	14,359	135,923	133,207	98.00%	1,679	1,257	136,143	100.16%
2010	115,096	14,436	129,532	126,317	97.52%	2,292	1,228	129,837	100.24%

Source: Local Tax Assessor/Collector and College records

(a) Per original certified tax levy

(b) As of August 31st of the current reporting year

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years collected in the current year or the year of the tax levy

(e) Represents current year collections of Penalty & Interest for current and prior years

**Lone Star College
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)**

For the Year Ended August 31 (amounts expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Bonded Debt										
General Obligation Bonds	\$ 563,955	\$ 594,070	\$ 620,695	\$ 504,865	\$ 545,285	\$ 444,660	\$ 461,635	\$ 477,330	\$ 496,455	\$ 511,070
Net General Bonded Debt	\$ 563,955	\$ 594,070	\$ 620,695	\$ 504,865	\$ 545,285	\$ 444,660	\$ 461,635	\$ 477,330	\$ 496,455	\$ 511,070
Other Debt										
Revenue bonds	\$ 82,930	\$ 84,520	\$ 86,305	\$ 87,210	\$ 113,555	\$ 116,445	\$ 61,610	\$ 43,860	\$ 46,500	\$ 48,780
Maintenance Tax Notes	17,640	19,480	21,215	22,840	25,565	26,995	28,330	29,580	30,740	30,740
Total Outstanding Debt	\$ 664,525	\$ 698,070	\$ 728,215	\$ 614,915	\$ 684,405	\$ 588,100	\$ 551,575	\$ 550,770	\$ 573,695	\$ 590,590
General Bonded Debt Ratios										
Per Capita	\$ 220.92	\$ 237.39	\$ 253.02	\$ 209.94	\$ 231.31	\$ 192.41	\$ 203.76	\$ 214.92	\$ 228.01	\$ 239.43
Per FTSE	13,391	15,929	14,599	12,512	13,512	11,124	11,533	12,707	13,642	15,909
As a percentage of Taxable Assessed Value	0.29%	0.32%	0.34%	0.30%	0.37%	0.33%	0.38%	0.41%	0.43%	0.43%
Total Outstanding Debt Ratios										
Per Capita	\$ 260.31	\$ 278.95	\$ 296.85	\$ 255.70	\$ 290.32	\$ 254.48	\$ 243.46	\$ 247.98	\$ 263.49	\$ 276.69
Per FTSE	15,779	18,718	17,128	15,240	16,959	14,712	13,779	14,663	15,765	18,385
As a percentage of Taxable Assessed Value	0.34%	0.37%	0.40%	0.36%	0.46%	0.44%	0.45%	0.47%	0.50%	0.50%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

Lone Star College
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)
(amounts expressed in thousands)

General Obligation Bonds

Fiscal Year Ended August 31	Taxable Assessed Value	Statutory Tax Levy Limit for Debt Service	Less: Funds Restricted for Repayment	Total Net Debt	Current Year Debt Service Requirements	Excess of Statutory	Net Current
						Limit for Debt Service over Current Requirements	Requirements as a % of Statutory Limit
2019	\$ 194,864,646	974,323	\$ (22,354)	\$ 951,970	\$ 57,800	\$ 894,169	3.64%
2018	188,201,682	941,008	(28,724)	912,285	55,626	856,659	2.86%
2017	180,553,863	902,769	(26,531)	876,238	43,797	832,441	1.91%
2016	168,935,168	844,676	(20,626)	824,050	45,538	778,511	2.95%
2015	148,841,549	744,208	(16,841)	727,366	59,360	668,006	5.71%
2014	133,052,842	665,264	(8,565)	656,699	52,946	603,753	6.67%
2013	122,784,692	613,923	(37,687)	576,236	46,496	529,740	1.43%
2012	117,503,718	587,519	(13,400)	574,119	45,493	528,626	5.46%
2011	115,693,464	578,467	(6,351)	572,116	47,201	524,915	7.06%
2010	117,929,495	589,647	(6)	589,641	46,679	542,962	7.92%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Lone Star College
 Statistical Supplement 11
 Pledged Revenue Coverage
 Last Ten Fiscal Years
 (Unaudited)

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (amounts expressed in thousands)													Debt Service Requirements (amounts expressed in thousands)			
	Tuition	Technology and Other Fees	General Fees	Laboratory Fees	Community Education Fees	General Use Fee	Differential Tuition Fee	Infrastructure Fee	Rental Income	Interest Income	Vending Commission	Bookstore Commission	Total	Principal	Interest	Total	Coverage Ratio
	2019	\$ 11,824	\$ 21,411	\$ 2,130	\$ 1,229	\$ 5,783	\$ 9,473	\$ 13,683	\$ 2,264	\$ 6,604	\$ 2,235	\$ 517	\$ 1,585	\$ 78,738	\$ 1,590	\$ 3,885	\$ 5,475
2018	11,515	21,383	2,165	1,241	6,112	9,619	12,107	2,341	6,923	1,541	365	1,901	77,213	1,785	3,935	5,720	13.50
2017	12,175	17,989	2,144	1,242	5,920	9,603	11,246	2,582	7,315	692	489	1,543	72,941	905	4,003	4,908	14.86
2016	12,005	18,044	2,094	1,280	6,690	9,328	5,861	2,595	7,181	439	484	2,323	68,324	2,945	3,384	6,329	10.80
2015	12,105	18,191	2,036	1,312	7,614	9,183	5,844	2,632	6,151	667	491	2,673	68,898	2,890	4,531	7,421	9.28
2014	11,383	15,424	1,949	1,310	7,068	9,039	6,075	2,546	7,145	327	464	2,489	65,220	3,310	4,139	7,449	8.76
2013	11,240	14,708	1,910	1,266	6,867	8,911	4,544	2,536	3,826	381	430	2,481	59,102	2,535	1,898	4,433	13.33
2012	11,164	13,372	1,885	1,221	7,110	8,744	958	2,523	2,619	297	395	2,648	52,935	2,845	1,537	4,382	12.08
2011	10,291	13,869	5,872	1,187	7,256	-	-	-	-	339	377	2,496	41,688	2,280	2,219	4,499	9.27
2010	9,517	11,836	1,687	1,416	6,158	-	-	-	-	320	166	2,318	33,418	2,235	2,308	4,543	7.36

Lone Star College
Statistical Supplement 12
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)

Fiscal Year	District Population (a)	District Personal Income (thousands of dollars) (c)	District Personal Income Per Capita (b)	District Unemployment Rate (d)
2019	2,552,811	\$ 87,438,880	\$ 34,252	3.9%
2018	2,502,497	82,985,416	33,161	4.3%
2017	2,453,175	78,758,910	32,105	5.2%
2016	2,404,825	74,747,664	31,082	4.9%
2015	2,357,428	70,940,713	30,092	4.7%
2014	2,310,965	67,327,653	29,134	5.4%
2013	2,265,527	63,392,562	27,981	6.1%
2012	2,220,983	59,687,506	26,874	7.0%
2011	2,177,315	56,198,996	25,811	8.6%
2010	2,134,505	52,914,377	24,790	8.8%

Sources:

(a) Estimated: Based on 68 zip codes within LSC taxing district. Projected district population growth based on 2000/2010 Census data. 2014-2019 projected population growth from ESRI data.

(b) Estimated: District per capita income based on ESRI projected per capita income within 68 zip codes within LSC taxing district.

(c) Estimated: District person income based on calculation of estimated district population multiplied by estimated per capita income.

(d) U.S. Bureau of Labor Statistics, Metropolitan Area Employment and Unemployment, August 2019

Lone Star College System
Statistical Supplement 13
Principal Employers (a)
(unaudited)

Principal Employment Sectors (a)	2017 (b)		2008 (b)	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
State and local	364,742	8.93%	325,955	9.43%
Retail trade	373,530	9.14%	324,138	9.38%
Construction	316,168	7.74%	292,706	8.47%
Health care and social assistance	378,632	9.27%	280,348	8.11%
Professional, scientific, and technical services	321,089	7.86%	284,959	8.24%
Manufacturing	241,317	5.91%	254,120	7.35%
Administrative and waste services	304,436	7.45%	255,477	7.39%
Accommodation and food services	(c)		222,697	6.44%
Other services, except public administration	253,639	6.21%	201,159	5.82%
Finance and insurance	213,779	5.23%	166,602	4.82%
Total	2,767,332	67.75%	2,608,161	75.46%
Total Employment	4,084,715		3,456,148	

Source:

U.S. Department of Commerce Bureau of Economic Analysis, Regional Economic System Information, Houston Economic Area (Houston-The Woodlands-Sugar Land, TX), CAEMP25N Total full-time and part-time employment by NAICS industry.

Notes:

- (a) Principal employer data was not available for the District.
- (b) Data is normally presented with the current year compared to nine years prior.
- (c) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

Lone Star College
 Statistical Supplement 14
 Faculty, Staff and Administrators Statistics
 Last Ten Fiscal Years
 (unaudited)

		Fiscal Year									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Faculty											
Full-Time		921	917	865	878	875	918	842	833	742	780
Part-Time		2,745	2,935	3,101	2,222	2,382	2,039	1,999	1,894	1,900	2,271
Total		3,666	3,852	3,966	3,100	3,257	2,957	2,841	2,727	2,642	3,051
Percent											
Full-Time		25.1%	23.8%	21.8%	28.3%	26.9%	31.0%	29.6%	30.5%	28.1%	25.6%
Part-Time		74.9%	76.2%	78.2%	71.7%	73.1%	69.0%	70.4%	69.5%	71.9%	74.4%
Staff and Administrators											
Full-Time		1,984	1,832	1,744	1,855	1,852	1,673	1,581	1,479	1,431	1,408
Part-Time		1,549	1,475	1,401	1,356	1,376	1,483	1,642	1,476	1,297	1,334
Total		3,533	3,307	3,145	3,211	3,228	3,156	3,223	2,955	2,728	2,742
Percent											
Full-Time		56.2%	55.4%	55.5%	57.8%	57.4%	53.0%	49.1%	50.1%	52.5%	51.3%
Part-Time		43.8%	44.6%	44.5%	42.2%	42.6%	47.0%	50.9%	49.9%	47.5%	48.7%
FTSE per Full-time Faculty		90.56	78.79	83.34	81.97	74.42	71.22	77.75	79.03	88.03	83.35
FTSE per Full-Time Staff Member		42.04	39.44	41.34	38.80	35.16	39.08	41.41	44.51	45.65	46.17
Average Annual Faculty Salary		\$ 83,405	\$ 72,249	\$ 72,088	\$ 71,972	\$ 65,114	\$ 65,376	\$ 65,462	\$ 65,835	\$ 65,321	\$ 65,012

Lone Star College System
 Statistical Supplement 15
 Enrollment Details
 Last Ten Fiscal Years
 (unaudited)

Student Classification	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent												
00-30 hours	53,885	61.47%	53,034	59.49%	53,434	59.76%	51,427	60.04%	49,836	59.38%	50,264	60.69%	46,521	59.93%
31-60 hours	20,724	23.64%	22,043	24.73%	21,678	24.24%	20,382	23.79%	19,776	23.56%	19,329	23.34%	17,864	23.01%
> 60 hours	13,047	14.88%	14,073	15.79%	14,301	15.99%	13,852	16.17%	14,320	17.06%	13,225	15.97%	13,236	17.05%
Total	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%

Semester Hour Load	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent												
Less than 3	251	0.29%	262	0.29%	315	0.35%	336	0.39%	436	0.52%	310	0.37%	542	0.70%
3-5 semester hours	17,914	20.44%	16,814	18.86%	15,648	17.50%	14,976	17.48%	15,099	17.99%	13,130	15.85%	11,340	14.61%
6-8 Semester hours	24,643	28.11%	25,057	28.11%	24,804	27.74%	24,064	28.09%	24,637	29.35%	24,431	29.50%	22,763	29.33%
9-11 semester hours	18,738	21.38%	20,312	22.78%	20,588	23.03%	20,127	23.50%	19,277	22.97%	19,386	23.41%	17,344	22.34%
12-14 semester hours	20,619	23.52%	21,252	23.84%	22,331	24.98%	21,250	24.81%	20,330	24.22%	21,384	25.82%	21,102	27.19%
15-17 semester hours	4,988	5.69%	4,891	5.49%	5,145	5.75%	4,532	5.29%	3,838	4.57%	3,800	4.59%	4,046	5.21%
18 & over	503	0.57%	562	0.63%	582	0.65%	376	0.44%	315	0.38%	377	0.46%	484	0.62%
Total	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%

Average course load 8.5 8.6 8.7 8.7 8.5 8.5 8.8

Tuition Status	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent												
Texas Resident (in-District)	70,520	83.42%	74,372	83.42%	75,073	83.96%	72,247	84.34%	70,908	84.48%	70,681	85.34%	67,644	87.15%
Texas Resident (out-of-District)	12,209	13.87%	12,365	13.80%	11,749	13.14%	11,027	12.87%	9,776	11.65%	9,164	11.07%	7,573	9.76%
Non-Resident Tuition	4,927	2.71%	2,413	2.71%	2,591	2.90%	2,387	2.79%	3,248	3.87%	2,973	3.59%	2,404	3.10%
Total	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%

Source: AIR Official Day - Fall

Statistical Supplement 15 (Cont)

Fall 2012		Fall 2011		Fall 2010	
Number	Percent	Number	Percent	Number	Percent
47,445	60.92%	43,134	57.00%	33,296	48.02%
17,882	22.96%	19,787	26.15%	20,895	30.13%
12,550	16.12%	12,759	16.86%	15,148	21.85%
77,877	100.00%	75,680	100.00%	69,339	100.00%

Fall 2012		Fall 2011		Fall 2010	
Number	Percent	Number	Percent	Number	Percent
668	0.86%	2791	3.69%	702	1.01%
12,224	15.70%	14476	19.13%	13,089	18.88%
21,610	27.75%	21164	27.97%	17,940	25.87%
17,557	22.54%	16553	21.87%	13,851	19.98%
21,667	27.82%	17612	23.27%	19,948	28.77%
3,757	4.82%	2797	3.70%	3,377	4.87%
394	0.51%	287	0.38%	432	0.62%
77,877	100.00%	75,680	100.00%	69,339	100.00%

8 8.4 8.4

Fall 2012		Fall 2011		Fall 2010	
Number	Percent	Number	Percent	Number	Percent
66,716	85.67%	64901	85.76%	61,054	88.05%
8,019	10.30%	7224	9.55%	4,839	6.98%
3,142	4.03%	3555	4.70%	3,446	4.97%
77,877	100.00%	75,680	100.00%	69,339	100.00%

Lone Star College System
 Statistical Supplement 16
 Student Profile
 Last Ten Fiscal Years
 (unaudited)

Gender	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent																		
Female	52,908	60.36%	53,993	60.56%	53,316	59.63%	50,593	59.06%	49,978	59.55%	50,043	60.43%	47,155	60.75%	48,086	61.75%	46,503	61.45%	42,187	60.84%
Male	34,748	39.64%	35,157	39.44%	36,097	40.37%	35,068	40.94%	33,954	40.45%	32,775	39.57%	30,466	39.25%	29,791	38.25%	29,177	38.55%	27,152	39.16%
Total	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%	69,339	100.00%

Ethnic Origin	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent																		
White	26,232	29.93%	27,478	30.82%	28,053	31.37%	27,814	32.47%	28,117	33.50%	28,412	34.31%	27,819	35.84%	28,976	37.21%	29,642	39.17%	29,788	42.96%
Hispanic	37,527	42.81%	35,886	40.25%	34,695	38.80%	32,628	38.09%	30,775	36.67%	28,166	34.01%	25,053	32.28%	23,534	30.22%	21,512	28.42%	18,317	26.42%
African American	11,880	13.55%	13,157	14.76%	14,115	15.79%	13,430	15.68%	13,746	16.38%	15,326	18.51%	13,971	18.00%	14,644	18.80%	13,804	18.24%	10,598	15.28%
Asian	6,858	7.82%	6,879	7.72%	6,744	7.54%	6,381	7.45%	5,958	7.10%	5,514	6.66%	4,989	6.43%	4,521	5.81%	4,404	5.82%	4,784	6.90%
Foreign		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
Native American	162	0.18%	181	0.20%	177	0.20%	205	0.24%	212	0.25%	204	0.25%	243	0.31%	258	0.33%	297	0.39%	321	0.46%
Other	4,997	5.70%	5,569	6.25%	5,629	6.30%	5,203	6.07%	5,124	6.10%	5,196	6.27%	5,546	7.14%	5,944	7.63%	6,021	7.96%	5,531	7.98%
Total	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%	69,339	100.00%

Age	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent																		
Under 20	40,271	45.94%	36,913	41.41%	34,586	38.68%	32,653	38.12%	30,431	36.26%	28,378	34.27%	25,466	32.81%	20,005	25.69%	19,910	26.31%	22,769	32.84%
20-24	25,255	28.81%	27,005	30.29%	28,262	31.61%	27,584	32.20%	27,048	32.23%	26,390	31.87%	24,866	32.04%	28,122	36.11%	27,294	36.07%	22,029	31.77%
25-29	8,945	10.20%	10,058	11.28%	10,757	12.03%	10,203	11.91%	10,303	12.28%	10,467	12.64%	9,964	12.84%	11,167	14.34%	10,718	14.16%	9,292	13.40%
30-39	8,289	9.46%	9,553	10.72%	9,944	11.12%	9,429	11.01%	9,911	11.81%	10,781	13.02%	10,499	13.53%	11,342	14.56%	10,974	14.50%	9,417	13.58%
40-49	3,481	3.97%	3,983	4.47%	4,130	4.62%	4,088	4.77%	4,420	5.27%	4,799	5.79%	4,834	6.23%	5,127	6.58%	4,900	6.47%	4,203	6.06%
50 & over	1,415	1.61%	1,638	1.84%	1,734	1.94%	1,704	1.99%	1,819	2.17%	2,003	2.42%	1,992	2.57%	2,114	2.71%	1,884	2.49%	1,629	2.35%
Total	87,656	100.00%	89,150	100.00%	89,413	100.00%	85,661	100.00%	83,932	100.00%	82,818	100.00%	77,621	100.00%	77,877	100.00%	75,680	100.00%	69,339	116.23%

Average Age	22.8	23.4	23.7	23.8	24.1	24.4	25.5	25.3	24.8	25.6
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Source: AIR Official Day

Lone Star College System
Statistical Supplement 17
Transfers to Senior Institutions
Academic Year 2017-2018 Students
(Includes only public senior colleges in Texas)
(unaudited)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Lone Star Transfer Students	% of all Lone Star Transfer Students
	Academic	Technical	Tech-Prep		
University of Houston	4,436	92		4,528	24.9%
Sam Houston State University	3,197	93		3,290	18.1%
Texas A&M University	2,119	29		2,148	11.8%
University of Houston - Downtown	1,879	124		2,003	11.0%
The University of Texas at Austin	1,061	8		1,069	5.9%
Texas State University	957	12		969	5.3%
Texas Tech University	596	10		606	3.3%
Stephen F. Austin State University	425	10		435	2.4%
Prairie View A&M University	397	13		410	2.3%
The University of Texas at San Antonio	314	4		318	1.8%
University of Houston - Victoria	299	32		331	1.8%
Texas Southern University	275	5		280	1.5%
The University of Texas at Arlington	235	88		323	1.8%
University of North Texas	204	3		207	1.1%
The University of Texas at Dallas	185	10		195	1.1%
Lamar University	167	14		181	1.0%
The University of Texas at Tyler	145	5		150	0.8%
University of Houston - Clear Lake	101	1		102	0.6%
Texas Woman's University	99	6		105	0.6%
Texas A&M University - Corpus Christi	89	3		92	0.5%
Texas A&M University at Galveston	73	3		76	0.4%
Tarleton State University	69	4		73	0.4%
Texas A&M University - Commerce	47	10		57	0.3%
Midwestern State University	29			29	0.2%
Texas A&M University - Kingsville	27			27	0.1%
The University of Texas of the Permian Basin	24	2		26	0.1%
The University of Texas at El Paso	22			22	0.1%
The University of Texas - Rio Grande Valley	21			21	0.1%
West Texas A&M University	19	3		22	0.1%
Texas A&M University - San Antonio	18	6		24	0.1%
Angelo State University	15			15	0.1%
Texas A&M International University	11			11	0.1%
Sul Ross State University	6	2		8	0.0%
Texas A&M University - Central Texas	6			6	0.0%
University of North Texas at Dallas	2			2	0.0%
Texas A&M University - Texarkana	1			1	0.0%
Grand Total	17,570	592		18,162	100.0%

Source:
Texas Higher Education Data, ASALFS Students Pursuing Additional Education

Lone Star College
Statistical Supplement 18
Capital Asset Information
Last Ten Fiscal Years
(unaudited)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Building Use										
Square Footage (in thousands)										
Instruction/Student Services	3,512	3,444	3,277	3,258	3,140	3,106	2,994	2,969	2,969	2,080
Safety, Facilities Systems	106	106	104	104	103	103	103	103	103	95
Libraries	351	351	351	351	351	351	351	351	351	351
Public Service	105	105	105	105	105	105	105	105	105	105
Auxiliary Services	37	37	37	37	36	36	36	36	36	29
Institutional Support	145	145	145	145	145	145	145	145	145	145
Mixed Use	222	222	222	222	222	222	222	222	222	222
Dining Facilities										
Square footage (in thousands)	91	91	91	91	91	91	91	91	91	91
Average daily customers	4,550	4,550	4,550	4,550	4,550	4,550	4,550	4,550	4,300	4,100
Athletic Facilities										
Square footage (in thousands)	112	112	112	112	112	112	112	112	112	112
Stadiums (number of buildings)	-	-	-	-	-	-	-	-	-	-
Gymnasiums (number of buildings)	-	-	-	-	-	-	-	-	-	-
Fitness Centers (number of buildings)	7	7	7	7	7	7	7	6	6	6
Tennis Court (number of courts)	32	32	32	32	32	32	32	32	32	32
Transportation										
Cars	39	33	41	38	24	27	25	26	15	15
Light Trucks/Vans	69	63	55	50	50	42	37	33	20	20
Buses	-	-	-	-	-	-	-	-	-	-



SINGLE AUDIT SECTION



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Trustees of
Lone Star College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lone Star College (the College) as of and for the year ended August 31, 2019 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 18, 2019. Our report includes a reference to other auditors who audited the financial statements of North Harris Montgomery Community College District Foundation dba Lone Star College Foundation (the Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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CPAs AND ADVISORS | WEAVER.COM

The Board of Trustees of
Lone Star College

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's Responses to Findings

The College's responses to the findings identified in our audit are described in the accompanying corrective action plan. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 18, 2019

**Independent Auditor's Report on Compliance for Each Major
Federal and State Program and Report on Internal Control over
Compliance in Accordance with the Uniform Guidance
and State of Texas Single Audit Circular**

The Board of Trustees of
Lone Star College

Report on Compliance for Each Major Federal and State Program

We have audited Lone Star College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2019. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance, and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the College's compliance.

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Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and the State of Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003. Our opinion on each major federal and state program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-002, that we consider to be a significant deficiency.

The Board of Trustees of
Lone Star College

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 18, 2019



Austin | Conroe | Dallas | Fort Worth | Houston
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**Report of Independent Auditor's on Compliance
With the Public Funds Investment Act**

The Board of Trustees of
Lone Star College

We have performed tests designed to verify Lone Star College's compliance with the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code). During the year ended August 31, 2019, no instances of noncompliance were found.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 18, 2019



Schedule of Findings and Questions Cost

Lone Star College

Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2019

Section 1. Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | Yes |
| 7. Identification of Major Programs | |
| Student Financial Aid Cluster: | |
| Federal Supplemental Education Opportunity Grant | 84.007 |
| Federal Work-Study Program | 84.033 |
| Federal Pell Grant Program | 84.063 |
| Direct Loan Program | 84.268 |
| Disaster Grants – Public Assistance | 97.036 |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs | \$3,000,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

Lone Star College

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2019

State Awards

10. Internal control over major programs:

- | | |
|--|---------------|
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |

11. Type of auditor's report issued on compliance with major programs

Unmodified

12. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Grant Management Standards Single Audit Circular?

Yes

13. Identification of Major Programs

Texas Educational Opportunity Grant Program

Texas Educational Opportunity Grant Renewal Program

14. Dollar threshold used to distinguish between Type A and Type B federal programs

\$300,000

15. State Single Audit - Auditee qualified as a low-risk auditee?

No

Section 2. Financial Statement Findings

2019-001: Inadequate Secondary Review of Certain Accounts

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria

A sound system of internal control over financial reporting includes adequate secondary review of all significant account balances and closing processes.

Condition

In the course of performing our audit procedures, we noted certain areas for which secondary review did not appear to be adequate. Examples of such include:

- Completed capital projects were misclassified as construction in progress despite being completed in the previous fiscal year;
- Cutoff of construction in progress was not appropriately established, resulting in an understatement of capital assets and liabilities; and
- Reconciliation of the College's payable to the Teacher Retirement System.

Lone Star College

Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2019

Cause

The College's system of internal control over financial reporting did not provide for secondary review that was adequate to detect misstatements in certain financial statement areas.

Effect

Inadequate secondary review of certain financial statement areas resulted in undetected misstatements in the financial statements, which required correcting audit adjustments.

Recommendation

We recommend the College evaluate its procedures and controls over secondary review of financial statement areas to ensure that such is adequate to detect misstatements.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan

Section 3. Federal Award Findings and Questioned Costs

2019-002: Untimely Return of Title IV Funds

Federal Program: Student Financial Aid Cluster

Federal Agency: U.S. Department of Education

CFDA: 84.007, 84.033, 84.063, 84.268

Compliance requirement: Special Tests and Provisions – Return of Title IV Funds

Type of Finding: Significant Deficiency in Internal Control over Noncompliance and Noncompliance

Criteria

Return of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic funds transfers initiated to the Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Management must have proper internal controls in place to ensure that the Return of Title IV funds provisions have been returned timely.

Condition

During our audit, we identified 7 of 40 students for which the College did not have a Return of Title IV funds initiated within 45 days of the College's determination of the students' withdrawal.

Cause

Return of Title IV funds was calculated for this student; however, accounting personnel were not notified by the Financial Aid office that the funds needed to be returned.

Effect

The College did not return \$4,005 of Title IV funds within the required timeline.

Recommendation

We recommend policies and procedures be put into place to ensure that Title IV funds are returned on a timely basis.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan

Lone Star College

Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2019

Section 4. State Award Findings and Questioned Costs

2019-003: Untimely Submission of FAD Reports

State Program: Texas Educational Opportunity Grant Program, Texas Educational Opportunity Grant Renewal Program

State Agency: Texas Higher Education Coordinating Board

Compliance requirement: Reporting

Type of Finding: Noncompliance

Criteria

Institutions are required to submit a comprehensive Financial Aid Database (FAD) Report three times a year to consolidate data collection by the reporting deadlines. The first two report cycles require a validation of data and the third report cycle requires certification. Each of the FAD reports should include all individuals receiving awards.

Condition

During our audit, we identified that the FAD cycle 2 report was not validated by the College before the reporting deadline of August 19, 2019.

Cause

The Texas Higher Education Coordinating Board identified errors on the comprehensive FAD cycle 2 report that was first submitted on August 12, 2019, therefore, the report was not validated until August 29, 2019.

Effect

The FAD cycle 2 report was not submitted to the Texas Higher Education Coordinating Board timely.

Recommendation

We recommend policies and procedures be put into place to ensure that FAD Reports are submitted and validated on a timely basis.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan

Lone Star College

Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2019

Prior Year Findings

Corrective Action Plan 2018-001: Inadequate Interdepartmental Communication

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition

The College's financial statements as of and for the year ended August 31, 2017 were restated to accrue a liability related to findings by a Department of Education program review.

Corrective Action Plans

Specific to the Financial Aid office, in March 2018 the administration of the College was restructured, and Financial Aid now reports to the Chief Financial Officer. With this change, interdepartmental communication between the College's Financial Aid office and Financial Reporting & Operations will be significantly stronger.

To systematically ensure the financial statements will be complete, accurate and in accordance with applicable provisions of GAAP, the CFO will be responsible for:

- Annually sending a general communication to the College's senior leadership emphasizing the importance of timely communication regarding events or occurrences that may have an effect on the accounting records to the Financial Reporting & Operations department, and
- Developing a list of questions for the College's senior leadership to answer quarterly to identify events that could impact the College's financial records.

Status

Completed

Corrective Action Plan 2018-002: Improper Application of Generally Accepted Accounting Principles Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

The College's accruals for compensated absences recorded as of August 31, 2018, 2017, and 2016 were understated by \$5,400,118, \$4,895,701, and \$4,079,615, respectively.

Corrective Action Plan

The compensable absences liability was adjusted to reflect the maximum accrued leave balance as of August 31, 2018. Going forward, the accrued leave balances will be evaluated quarterly by the Accounting and Payroll departments to ensure the compensable absences liability maintains the maximum accrued leave balance as per GAAP.

Status

Completed

Lone Star College

Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2019

2018-003: Inadequate Secondary Review of Certain Accounts

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

In the course of performing our audit procedures for the fiscal year 2018, we noted certain areas for which secondary review did not appear to be adequate. Examples of such include:

- Completed capital projects were misclassified as construction in progress despite being completed in the previous fiscal year;
- Cutoff of construction in progress was not appropriately established, resulting in an understatement of capital assets and liabilities;
- Construction period interest was not appropriately allocated to certain projects within construction in progress; and
- Allowance for doubtful accounts balances were not properly reviewed and evaluated.

Corrective Action Plans

- **Capital projects misclassified:** The Fixed Assets department will begin monitoring the Construction Application for Payment's percentage of completion to prompt outreach to the Facilities & Construction department at 85% of completion.
- **Cutoff of construction in progress not appropriately established:** The Fixed Assets department will begin monitoring the Construction Application for Payment's percentage of completion to prompt outreach to the Facilities & Construction department at 85% of completion. The cutoff for construction in progress payments to Asset Management will be July 31st, and any projects with a completion percentage of 85% or greater after July 31st will be reviewed on a case-by- case basis by both the Fixed Assets and Facilities & Construction departments.
- **Construction period interest not appropriately allocated to certain projects:** The Fixed Assets department will begin monitoring the Construction Application for Payment's percentage of completion to prompt outreach to the Facilities & Construction department at 85% of completion and operational processes will be changed to include processing capital interest on a monthly basis.
- **Allowance for doubtful accounts balances were not properly reviewed and evaluated:** On an annual basis, Treasury will re-evaluate the need - or lack thereof - of a tax allowance by reviewing prior year tax collections for efficiency and the Texas Tax Code for any changes on taxpayers' responsibility of delinquent property.

Status

- **Capital projects misclassified:** The finding noted above recurred during the current year as the College did not fully implement and consistently apply the procedures noted in the College's corrective action plan. See finding 2019-001.
- **Cutoff of construction in progress not appropriately established:** The finding noted above recurred during the current year as the College did not fully implement and consistently apply the procedures noted in the College's corrective action plan. See finding 2019-001.
- **Construction period interest not appropriately allocated to certain projects:** Completed
- **Allowance for doubtful accounts balances were not properly reviewed and evaluated:** Completed

Lone Star College

Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2019

2018-004: Lack of Review of Inputs and Changes Made to Employee Pay Rates Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition

During the year ended August 31, 2018, the College was required to make certain corrections to employee pay rates as a result of errors made during the original input or updating of employee information.

Corrective Action Plans

1. HR Records will conduct a new hire audit within 30 days of hire.
 - All documents will be checked for accuracy.
 - Date and Salary from offer documents will be cross-referenced to ensure accurate payment.
 - HR Records will report completed findings in Spreadsheet that is stored in HR SharePoint.
 - Human Resources>All-HR Workspace>Shared Documents(Live working files)>New Hire Audit Reports
 - These folders will be named:
 - 2018-11 New Hire Audit Version 1
 - 2018-11 New Hire Audit Version 2 (if a re-audit is needed after Campus review.)
2. If there is a discrepancy
 - A SNOW Ticket will be created and sent to the appropriate Campus Team for corrections.
 - HR Director (HRD) will identify who made the error, coach the employee, and the employee will make any corrections needed.
 - After this has taken place, the HRD and Employee will communicate through the SNOW Ticket to document the discrepancy.
 - Records will then conduct a second audit and communicate the results within the SharePoint Spreadsheet.

Status

Completed

2018-005: Override of Satisfactory Academic Progress Determinations Type of Finding: Material Weakness in Internal Control over Compliance

Condition

The College had numerous instances of financial aid personnel performing an override of the system's SAP determination for which a secondary review of the override was not performed.

Corrective Action Plan

Queries will be created to identify any SAP determinations that have been overridden. Campus Directors will review a pre-selected amount to check for accuracy and any potential issues. The Campus Directors will send reports to System Office Financial Aid weekly to be reviewed by the Director of Financial Aid Quality Assurance.

Status

Completed

Lone Star College

Schedule of Findings and Questioned Costs For the Fiscal Year Ended August 31, 2019

2018-006: Satisfactory Academic Progress Determinations Not Conducted Timely

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance Finding

Condition

During our audit for fiscal year 2018, we identified 2 of 60 students for which the SAP determinations were not performed timely.

Corrective Action Plan

Beginning Fall 2018, the system configuration was changed to automatically run SAP determinations nightly. This will allow the system to catch any students for which a SAP determination was not completed during the large batch processing due to incomplete information.

Status

Completed

2018-007: Untimely Return of Title IV Funds

Type of Finding: Noncompliance Finding

Condition

During our audit for fiscal year 2018, we identified 1 of 40 students for which the College did not have a Return of Title IV funds initiated within 45 days of the College's determination of the student's withdrawal.

Corrective Action Plan

The College will further automate the process to eliminate the potential for errors and omissions. The PeopleSoft system currently has the capabilities to include workflows. Implementation of a workflow process will eliminate the following:

- Need to manually run multiple queries and manual lock of Financial Aid Term,
- Create a real-time data feed from Student Records automatically populating the R2T4 Worksheet at the time of Withdrawal, significantly reducing errors due to manual entry, and
- Create a tool for oversight and secondary review through completion.

Status

The finding noted above recurred during the current year as the College did not fully implement and consistently apply the procedures noted in the College's corrective action plan. See finding 2019-002.



LONE STAR COLLEGE
CORRECTIVE ACTION PLAN

Finding Number and Description

Type of Finding

Views of Responsible Officials and Planned Corrective Actions

2019-001: Inadequate Secondary Review of Certain Accounts

Significant Deficiency in Internal Control over Financial Reporting

Planned Corrective actions:

- **Capital projects misclassified:** Improvements will be made to the current business process of tracking capital projects. All projects will be tracked on a spreadsheet and reviewed monthly. When the project is close to 85% completion the Analyst will alert the Fixed Assets Accountant. Facilities Business Office Manager and Accountant will discuss results of monthly review and determine if any action needs to be taken. Fixed Assets Management will monitor all projects currently in CIP. Meetings will occur between Fixed Assets Management and Facilities & Construction to discuss CIP and current projects. The CFO and AVC of Facilities & Construction are the contacts for the corrective action plans. Estimated time of completion for implementing the plan is 08/31/2020.
- **Cutoff for construction in progress not appropriately established:** On July 31st of each year any projects with a completion percentage of 85% or greater will be reviewed by Fixed Assets and the Facilities & Construction departments to determine if capitalization is needed on or before August 31st. Reports will be run to identify projects with no transaction activity for more than 3 months. Completed projects will have an August application for payments processed before fiscal year end. Ongoing projects will have an estimated August accrual. Periodic meetings between the Business Manager of Facilities & Construction and the Fixed Assets Accountant will occur. The CFO and AVC of Facilities & Construction are the contacts for the corrective action plan. Estimated time of completion for implementing the plan is 08/31/2020.
- **Reconciliation of LSC's payable to the Teacher Retirement System:** A business process will be created for monthly reconciliations between the amount paid to TRS and the actual pension expense. A second level review on the monthly reconciliations will be completed by the Executive Director of Accounting. An adjusting entry will be done if needed. The estimated completion time for the reconciliation process and a completed reconciliation is 08/31/2020. In addition, the calculation for estimating the TRS payment will be reviewed and modified to better reflect actual expenses. This will be a collaborative effort between human resources, payroll and accounting. An estimated completion date for the calculation of payment will be completed by 08/31/2021. The CFO and AVC of Financial Operations & Reporting are the contacts for the corrective action plans.

*Finding Number and Description
Type of Finding
Views of Responsible Officials and Planned Corrective Actions*

2019-002: Untimely Return of Title IV Funds

Significant Deficiency in Internal Control over Noncompliance

Planned Corrective actions:

Financial Aid has undergone department, employee and process changes. A draft of the Financial Aid Policy and Procedure manual (with assistance of consultants) has been re-written to reflect current and best practices for all process. Once approved, the process for R2T4 will reflect a less manual, and more automated flow to ensure calculations are completed timely. The date of determination for Fall awards will be determined no earlier than January. Adjustments to awards due to R2T4 will be completed within 40 days from the date of determination so funds are returned within 45 days. The CFO and AVC of Financial Aid are the contacts for the corrective action plan. Estimated time of completion is 08/31/2020.

*Finding Number and Description
Type of Finding
Views of Responsible Officials and Planned Corrective Actions*

2019-003: Untimely Submission of FAD Reports

Noncompliance

Planned Corrective actions:

An internal calendar will be created noting all state report deadlines. The calendar will be reviewed monthly by the Financial Aid Executive Director of Operations. All reports will be submitted at least two business days prior to the state's deadline so errors can be resolved in time. In addition, financial aid will follow up with written confirmation for future authorized deadline changes. The CFO and AVC of Financial Aid are the contacts for the corrective action plan. Estimated time of completion for implementing plan is 08/31/2020.



GLOSSARY

Glossary –

The definitions in this glossary are for reference purposes only and give a general description.

Academic Support – A functional expense category. Includes funds expended to provide support services for the institution’s primary missions, including: retention, preservation and display of educational materials (libraries, galleries), academic administration (deans’ salaries and office expenses), technical support (computer services and audiovisual information) and separately budgeted support for course and curriculum development, and organized activities related to instruction.

Auxiliary Fund – Activities that exist primarily to furnish goods and/or services to students, faculty, and staff and are expected to be self-supporting. Revenues will equal or exceed the expenses. Examples include food services, bookstore, and tenant activities.

AVC – Associate Vice Chancellor.

CFO – Chief Financial Officer.

CIP – Capital Improvement Projects.

COO – Chief Operating Officer.

Debt Service Fund – A fund used to account for the accumulation of resources for, and the payment of, general long-term debt obligation principal and interest.

Expenditure – A disbursement, the incurrence of a liability, or the transfer of an asset for the purpose of obtaining goods or services.

FTE – Full Time Equivalent.

Functional Classification – a method of grouping expenses according to the purpose for which the costs are incurred used in higher education, as defined by NACUBO. The functional expense categories used at LSC are instruction, public service, academic support, student services, institutional support, plant services, scholarships and fellowships, and other (auxiliary) revenue.

Fund – A fiscal and accounting entity with a self-balancing set of accounts.

FY – Fiscal Year. The LSC FY is the period of time beginning September 1 and ending the following August 31.

GASB – Governmental Accounting Standards Board.

General Funds – A group of funds that includes the Operating, Repair & Replacement (FY 2017 and prior years), Student Activity, Technology and Corporate College funds.

Institutional Support – A functional expense category. Funds expended to support the entire organization including: fiscal operations, administrative data processing, employee personnel and records, logistics activities (procurement), support services for faculty and staff that do not operate as auxiliary enterprises and activities concerned with community or alumni relations including development and fundraising.

Instruction – A functional expense category. Includes faculty salaries, academic departmental operating expenses, and support staff salaries, but not academic deans.

iStar – LSC’s PeopleSoft enterprise application suite of products consisting of Financials, Campus Solutions, Human Capital Management and Enterprise Portal.

LBB – Legislative Budget Board.

LSC – Lone Star College.

LSC-CF – CyFair College, one of the Lone Star Colleges.

LSC-KW – Kingwood College, one of the Lone Star Colleges.

LSC-NH – North Harris College, one of the Lone Star Colleges.

LSC-MG – Montgomery College, one of the Lone Star Colleges.

LSC-TB – Tomball College, one of the Lone Star Colleges.

LSC-UP – University Park College, one of the Lone Star Colleges.

Operating Fund – Unrestricted funds that support the primary missions of the College.

ORP – Optional Retirement Plan.

Plant Services – A functional expense category. Includes: custodial, building and grounds maintenance, security, and utilities.

Public Service – A functional expense category. Includes: non-instructional services benefitting external groups or individuals.

Revenue – Funds received from student tuition, property taxes, state appropriations, grants, and other additional sources.

Student Services – A functional expense category. Funds expended for activities that primarily contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of formal instruction including: admissions, registrar, counseling, and financial aid administration (not awarding).

SO-UP – System Office University Park.

THECB – Texas Higher Education Coordinating Board.

TRS - Teacher Retirement System.

VC – Vice Chancellor.

VP – Vice President.

Sources:

Lone Star College, www.lonestar.edu.

National Association of College & University Business Officers, *Financial Accounting and Reporting Manual for Higher Education (FARM)*, www.nacubo.org.



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